

NATION'S BUSINESS



SEPTEMBER • 1932



Bernard M.
BARUCH

Tells how
the Government can
cut its budget more than
a billion dollars

Page 16

Earnest Elmo
CALKINS

Tells what
the next decade holds
for advertising

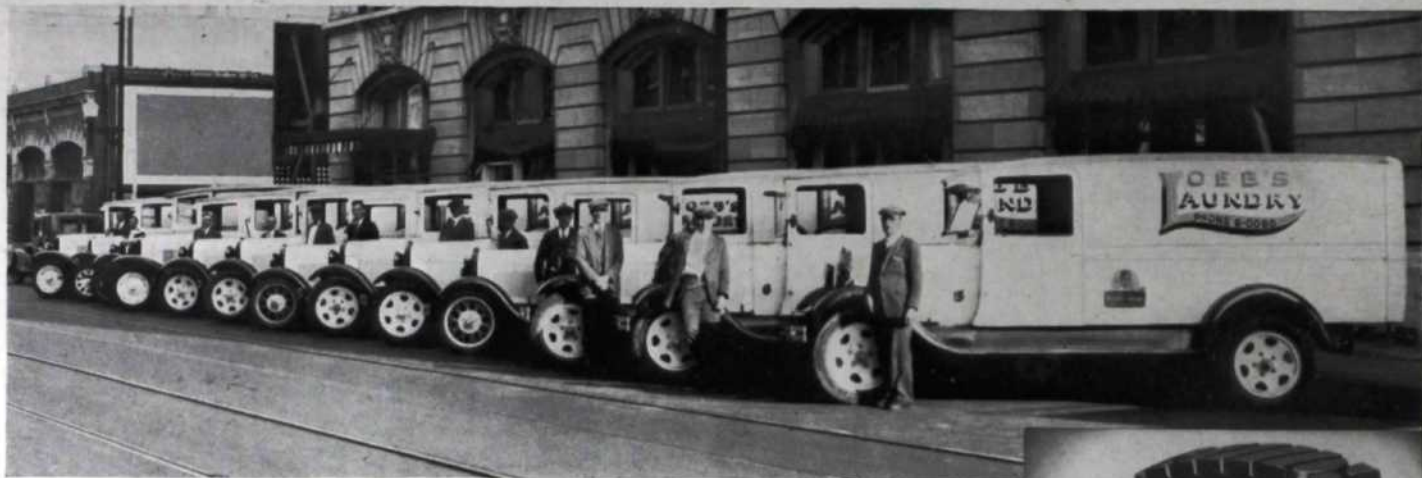
Page 23



PUBLISHED BY THE
U. S. CHAMBER OF COMMERCE



from 1200 punctures per year to 3



If this record of *sensational* accomplishment doesn't interest you . . . then nothing else we can say about Goodrich Air Containers will

LET'S begin at the beginning, when two years ago Loeb's Laundry, Memphis, Tennessee, equipped their twenty-four trucks with Goodrich Air Containers. Previously this fleet had been averaging four to five punctures per truck per month — about one hundred punctures per month for the entire fleet — approximately 1,200 per year.

Recently Mr. William L. Loeb, President, wrote us —

"During the first year our trucks were equipped with Goodrich Air Containers we had just three flat tires. One was caused by running a spring leaf through the tire. Another by a rim chewing a valve stem in half.

"I can tell you frankly that we are more than satisfied in every way with Goodrich Tires and Air Containers. I believe that no truck operator, whose business requires

prompt delivery and low mileage cost, can afford to be without Air Containers."

The most striking feature of Goodrich Air Containers is their remarkable ability to seal punctures *permanently* on running wheels. *Figuring the average cost per "flat" at \$5.00* Goodrich Air Containers are netting Loeb's Laundry a saving of some \$6000 annually.*

Yet that's only *one* angle. Disregarding the puncture blow-out hazard entirely, Goodrich Air Containers will pay their way in reduced tire care, increased tire mileage and added safety to your fleet.

Why not get the facts *now*, from your nearest Goodrich Distributor. Phone him. Look under "Tires" in the classified directory. The B. F. Goodrich Rubber Company, Akron, Ohio and Los Angeles, Cal.



Here's the Secret!

(A) shows cross-section of Air Container uninflated—the compression member is relaxed. When inflated (B) the compression member is under tension. It grips any penetrating object tightly—permits no air to escape. When object is removed, compression seals the cut *instantly*.

In addition to sealing punctures on running wheels, Air Containers add 25-35% more tire mileage—maintain air pressure—strengthen the tire—reduce road shock. Air Containers outlast the tire—often several.

Do not confuse Air Containers with other so-called "puncture-proof" tubes. The patented cord compression member is the secret of the Air Container's ability to seal punctures *permanently*.

*Reports from prominent truck and bus operators establish \$5.00 as a conservative figure.

Goodrich Air Containers

Another B. F. Goodrich Product

Copyright, 1932, The B. F. Goodrich Rubber Company



32,000 rubber articles . Goodrich Silvertowns . Zippers . Rubber Footwear . Drug Sundries . Soles . Heels . Hose . Belting . Packing . Molded Goods.

Here's How You Can "CHECK-UP"

Unprofitable DEPARTMENTS... in an easy *SECRET* way!

This New Way Shows How to "BALANCE YOUR BUDGET" by Combining Departments

How much could your present overhead be further reduced by combining certain departments—or department records? This is a practical question. Acme can help you answer it.

Here's reduction of expense without loss of efficiency—exactly what you have been looking for in balancing your business budget to make a profit on present income.

Your problem today, as you no doubt have recognized, is more than *increased sales*. It is:

**Elimination of Unnecessary Expense
Consolidation of Departments
Consolidation of Records**

More and more large companies are recognizing the economy of simplified recording of sales, credits, purchases, production and other detail.

Anticipating your needs, Acme has information showing how certain departments can be consolidated—with economy and greater efficiency. Acme Visible Records take needless

expense out of business. They enable you to "tighten up" your control of men, methods and material. They give you an up-to-the-minute picture of what you want to know and **SHOULD** know to get profits out of today's market.

Write and Let Us Send You "Taking Up the Slack"

Duplication of records—needless departmental operations—superfluous detail—top-heavy departments, etc., are "slack" in today's overhead costs. "Taking Up the Slack" tells how to get them out of your organization, and yet have essential records of every transaction kept up-to-the-minute—ready for instant reference.

This is a new message—written by Acme experts to help you meet 1932 conditions. If you are fighting costs—if you would like to know how to deflate your overhead more—if you aim to **STAY IN BUSINESS AT A PROFIT**, there is much that will interest you in "Taking Up the Slack."

Write your name in the coupon and let us send you a copy at once.

ACME CARD SYSTEM COMPANY
2 South Michigan Avenue Chicago, Illinois
World's Largest Exclusive Manufacturers of Visible Equipment

ACME CARD SYSTEM COMPANY N. B. 932
2 So. Michigan Avenue, Chicago, Illinois
Gentlemen: Please send me your new message for executives
—"Taking Up the Slack."

Name.....

Address.....

Name of Company..... Title.....

I would be interested in combining the

following: { Departments.....

{ Records.....



ACME

Visible Records

**PROFIT BUILDERS OF
MODERN BUSINESS**

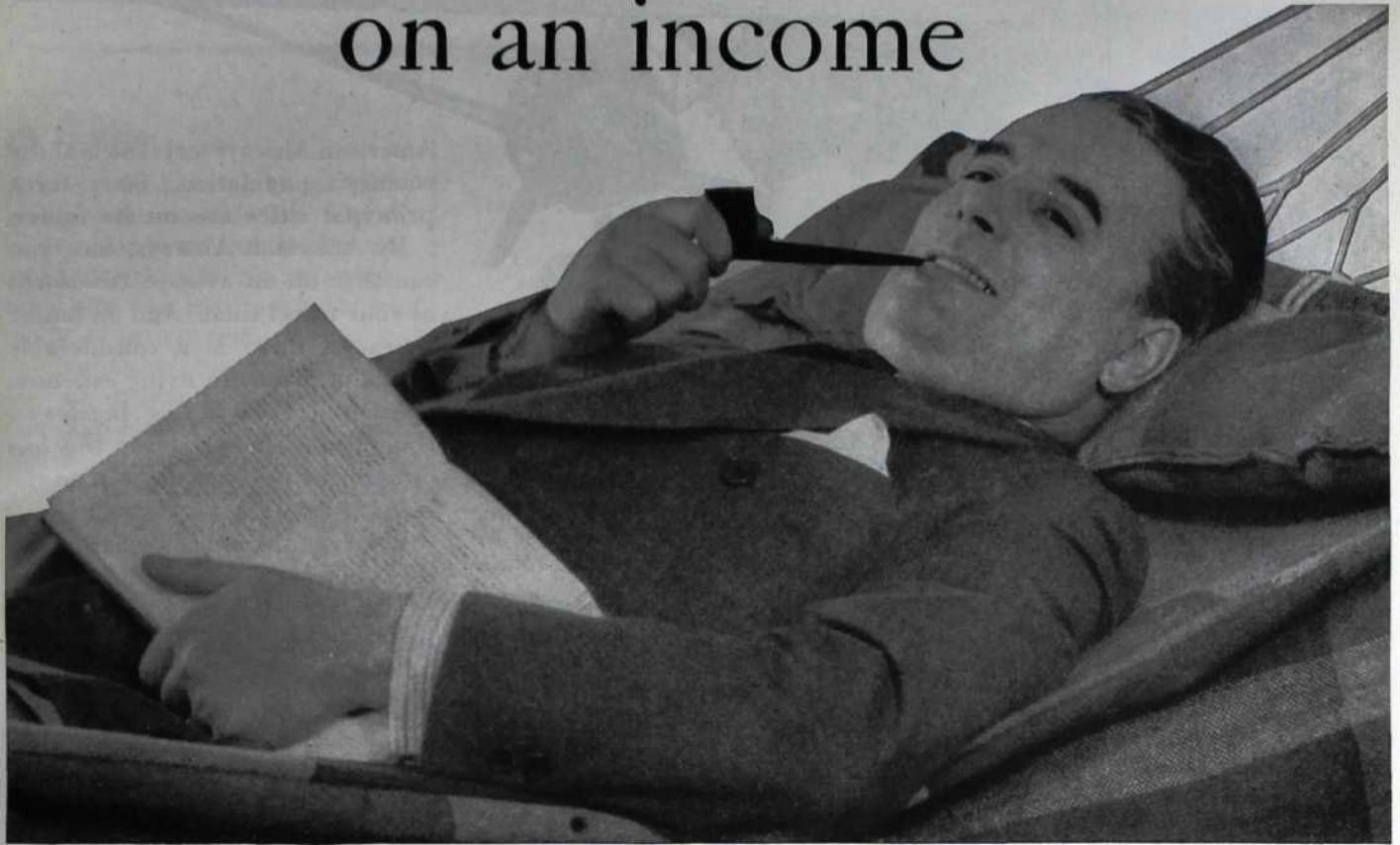


WHAT DISPATCH!

Mercury was the speedster of the old gods, the patron of commerce. The Mimeograph is the speedster of the world of duplication, the great servant of industry. It's the quickest means of dispatching your best thought to all horizons, at lowest cost. Letters, price-lists, graphs, sketches, illustrated bulletins, questionnaires, etc., at high speed and low cost! There's no better method known for close-weaving your organization and sifting-out sales opportunities. But primarily a money-saver. » » » Write A. B. Dick Company, Chicago, or see classified telephone directory for local address.

MIMEOGRAPH
EDISON-DICK
CHICAGO

How you can **RETIRE** on an income



\$250 a Month for Life

DO YOU WANT to quit work some day? If you do, you should read this page carefully. You should then mail the coupon at the bottom of the page. You will receive by return mail, and without cost or obligation, an interesting free book which tells all about the Phoenix Mutual Retirement Income Plan.

How the Plan Works

This new Plan makes it possible for you to retire at 55, 60, or 65. You may provide for yourself a monthly income of \$100, \$200, \$300, or more.

This life income is guaranteed to you by the Phoenix Mutual, an 80-year-old company with over six hundred million dollars of insurance in force.

Suppose you decide to retire on an income of \$250 a month when you are 60. Here is what you get:

1. An income of \$250 a month, beginning at age 60 and lasting the rest of your life. If you prefer, you may have a cash settlement of \$33,750 at age 60 instead of the monthly income.

2. Upon your death from any natural cause before age 60, your wife (or other beneficiary) receives a cash payment of \$25,000. Or, if preferred, your wife re-

ceives a monthly income for life.

3. Upon your death from accidental means before age 60, your wife receives a cash payment of \$50,000. Or double the monthly income for life.

4. If, before age 55, serious illness or accident stops your earning power for a certain period, you will thereafter receive a monthly income to live on during such disability, even if it lasts the rest of your life.

The cost of a Retirement Income depends upon your present age and upon the amount of income you wish to retire on. A Retirement Income does not have to be paid for all at once. It may be purchased on the installment plan. The payments are usually spread out over a

period of 20 years or more. Naturally, this makes the payments comparatively small. One of the great advantages of this Plan is that it begins to operate the minute you pay your first installment. Even though you should become totally disabled, you would not need to worry, because your installments would be paid by us out of a special reserve fund.

Send for the Facts

A 24-page book tells how you can retire on an income—how you can provide money to send your son to college—money to leave your home free of debt—money for other needs. Send for your copy now. No cost. No obligation.



PHOENIX MUTUAL LIFE INSURANCE COMPANY

Home Office: Hartford, Conn.

First Policy Issued 1851

Copyright 1932, P. M. L. I. Co.



PHOENIX MUTUAL LIFE INSURANCE CO., 706 Elm St., Hartford, Conn.

Send me by mail, without obligation, your new book,

"THE PHOENIX MUTUAL RETIREMENT INCOME PLAN."

Name _____ Date of Birth _____

Business Address _____

Home Address _____

AIR TRAVEL comes of AGE



The 8.15 A. M. plane of American Airways, Inc., leaving Newark for its two-hour run to Boston.

Organization... of men and methods... provides in American Airways, Inc., a safe, swift system of national transportation

MASTERY OF THE AIR. . . . An age-old dream. Yet it was not until man applied the principles of scientific management, that the dream became a reality. Travel by air today is as closely supervised as the operation of a great railway system.

The romance of aviation will never die. But side by side with romance have come stability and organization. Today you can travel by air with the absolute assurance that you will arrive at your destination swiftly, economically, and thoroughly enjoy the experience.



American Airways pilots are at all times in communication with their ground bases through two-way radio telephones, learning the exact conditions ahead of them.

Romance plus Reliability

American Airways, Inc., is the most extensive of the nation's sky systems — with improved routes covering 9587 miles, and with 174 government-approved planes of the most modern type flying over 1,000,000 miles a month. American Airways planes, which carry air mail and express, are provided with every proven aid to flight. Their pilots are in constant communication with the ground by two-way radio. They never take chances.

Every provision is made for the comfort of the passengers. There are deep armchairs, wide windows, controlled heating and ventilation, toilet and lavatory, delicious meals on board, ample baggage facilities.

Coverage . . . and Speed

These ships and these men — with more than 29,000,000 flying miles behind them—traverse established routes, shown in the map at right.

American Airways serves 65% of the country's population. Sixty-three principal cities are on its routes.

By American Airways, Inc., you can save on an average *two-thirds* of your travel time. And on longer journeys, there is a considerable saving of money in living expenses. *From New York to Los Angeles by American Airways means the loss of only one business day* — and the fare is \$155.83!

Reservations and information are easily obtained from Western Union or Postal Telegraph, any leading hotel or travel agency, or at the local office of American Airways, Inc. Write for complete data to American Airways, Inc., Rialto Building, 220 N. Fourth St., St. Louis, Mo.



A NATION-WIDE SERVICE

The "Fair Weather Southern Route" of American Airways, Inc., from coast to coast, serves these cities:

Boston	Little Rock	Atlanta
Providence	Texarkana	Birmingham
Hartford	Dallas	New Orleans
New York	Ft. Worth	Jackson
Cleveland	Abilene	Monroe
Columbus	Big Spring	Shreveport
Cincinnati	El Paso	Houston
Indianapolis	Douglas	San Antonio
Louisville	Tucson	Austin
Nashville	Phoenix	Waco
Chicago	Los Angeles	Brownsville
St. Louis	El Centro	Corpus Christi
Memphis	San Diego	San Angelo

Our passenger service to other cities includes the following:

Albany	Akron	Omaha
Montreal	Springfield	Galveston
Syracuse	Dayton	Amarillo
Rochester	Kansas City	Wichita Falls
Buffalo	St. Joseph	Chattanooga

AMERICAN AIRWAYS, Inc.

COAST TO COAST—CANADA TO MEXICO



NATION'S BUSINESS for September

VOLUME 20

NUMBER 9



CONTENTS

A Billion

A man who knows both business and government tells how federal expenses can be reduced this amount with tremendous savings to taxpayers. Those who have heard that so much of government expense is "uncontrollable" that no large savings are possible will read this article with especial interest because Mr. Baruch not only urges this reduction as essential, he states definitely where, in his opinion, the savings can be made.

Gossip

A reader writes us that, "if Mr. Kiplinger is right 50 per cent of the time, his articles are a real benefit to business men." Although we do not always agree with Mr. Kiplinger, we are convinced his percentage of error is far less than this. And readers' expressions indicate that many of them are finding ways to use his articles to advantage. His monthly letter appears on page 19.

Advertising

Since most enterprises use advertising in one way or another, the future of this industry is important to the whole business field. We asked a man, long the head of a well known agency, what we might expect in this field. He replied, in part, that the present period might see the end of the advertising "agency" as

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it has existed in the past. His forecast for the future and the reasons for his views appear on page 23.

Waste

Opinions as to what got us into this depression and what will get us out vary with the individual. But when you find six such business men as Alfred P. Sloan, E. A. Cudahy, Jr., James F. Bell, Clarence Francis, Charles S. Dewey and R. R. Deupree in a united attack on one factor which has helped bring hard times you will agree that something must be done to eliminate that factor.

Their opinions begin on page 26.

Consumers

In the very nature of things all of us have to be consumers. And yet, recent experience indicates that many of us have ceased to consume. A great many men have attempted to find out the reasons for this strange condition.

Some of their findings are summarized on page 29.

Bankers

Cussing the banker has become one of the popular indoor sports of the times. He is blamed for lending unwisely or for refusing to lend at all. We asked the president of a large bank if he had anything to say about this. His reply is on page 32.

MERLE THORPE, Editor and Publisher

Managing Editor, WARREN BISHOP
Director of Advertising, GUY SCRIVNER



Business Manager, J. B. WYCKOFF
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Building. As the official magazine of the Chamber of Commerce of the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.

SUBSCRIPTION RATES: Three years, \$7.50; one year, \$3.00; Canada: Three years, \$9.00; one year, \$3.50. Please notify us promptly of change of address.—Nation's Business, Washington, D. C.

Pensions for Employees

■ ■ ■

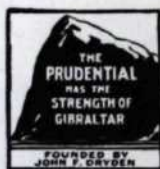
You construct a plan to meet the needs of your group. Each employee puts in a little every month. Your firm adds a reasonable portion. The Prudential administers the funds.

Result: Your own plan, plus the strongest possible financial backing.

THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD, President

HOME OFFICE, NEWARK, N. J.



HAND TO YOUR SECRETARY

Please write on my letterhead to Group Pension Department, The Prudential Insurance Company, Newark, N. J. Ask them to send a copy of "A Little Book about Pensions."



Through the EDITOR'S SPECS

IN THE pat phrase of the day, the gentle reader might well ask, "What is wrong with this picture?" as he detects something a little unfamiliar at the head of this column. It is a new symbolism of our editorial vision, and suggested, submitted and donated to us through the practical kindness of the Bausch & Lomb Optical Company, of Rochester, N. Y.

We have always preached persistently the gospel of "change." This wide-awake Rochester Company took us at our word and pointed out that the clarity of the lenses of our own thought certainly deserved a modern pair of spectacles. We agreed that the editorial sight of the magazine should be frequently examined and corrected for any astigmatism in its point of view. So we welcome the transmission from rimmed to rimless "Specs." From now on it gives us a very real pleasure to invite our readers to share our observation of the national scene through a modern "Pelham mounting."

THROUGH our new rimless "Specs," it looks as if the country has progressed from panic to depression. This is the most hopeful sign in months.

Depression is a mental state. The dictionary says so, describing it as gloom, dejection, discouragement. It naturally causes a stagnation of ideas and action. But it is better than a panicky state of mind.

Chance-taking is essential. Speculation sires activity. Every act of every citizen involves chance-taking. The farmer who puts seed in the ground, the merchant who buys goods for his shelves, the lawyer who opens an office, the man who walks across the street—all take chances. If we become frightened or overcautious, we do not take normal chances. Our first move is to reduce our chance-taking. If we reduce our chance-taking by ten per cent, we reduce the nation's activities by ten per cent. When we say, "I do not believe the times are ripe for this venture," or, "I think I shall wait for two or three months and see what happens," we have slowed down business activity by just that much.

An utter negation of all chance-taking in America would be an utter negation of all activity.

When fright is at the panicky stage, there is a minimum of chance-taking. When we learn that the black object is not a ferocious beast but only a shadow on the wall, we take a step forward; but slowly. That is what is happening now, in my judgment. We have looked the worst fairly in the face

Men who "know it all"

are not invited to

read this page

THIS page is not for the wise young man who is perfectly satisfied with himself and his business equipment.

It is a personal message to the man who realizes that business conditions have radically changed in the last few years, and that there is a whole new set of rules to be mastered. He feels that he ought to be earning several thousand dollars more a year, but simply lacks the confidence necessary to lay hold on one of the bigger places in business.

We should like to put into the hands of every such man a copy of a little book that contains the seeds of self-confidence. It is called "What an Executive Should Know" and it will be sent without obligation.

It contains the Announcement of the Institute's new Course and Service for men who want to become independent in the next five years. Among the contributors to this new Course are:

ALFRED P. SLOAN, JR., *President*, General Motors Corporation.

FREDERICK H. ECKER, *President*, Metropolitan Life Insurance Company.

HON. WILL H. HAYS, *President*, Motion Picture Producers and Distributors of America, formerly U. S. Postmaster General.

BRUCE BARTON, *Chairman of the Board*, Batten, Barton, Durstine & Osborn, Inc., Advertising Agents.

DR. JULIUS KLEIN, *The Assistant Secretary*, U. S. Department of Commerce.

JOHN T. MADDEN, *Dean*, School of Commerce, Accounts and Finance, New York University.

HUBERT T. PARSON, *President*, F. W. Woolworth Company.

M. H. AYLESWORTH, *President*, National Broadcasting Company.

THOMAS J. WATSON, *President*, International Business Machines Corporation.

DEXTER S. KIMBALL, *Dean*, College of Engineering, Cornell University.

Can any ambitious man fail to get something of value from contact with minds like these? Here are a few examples, selected from many hundreds, showing how this organized knowledge is translated into added earning power:

CASE 1. Works Engineer, salary \$6,000; now Vice-President and General Manager, salary \$18,000.

CASE 2. Local Manager at \$5,200; now Regional Manager, salary \$15,000.

CASE 3. Production Manager, salary \$6,000; now President, salary \$21,600.

Send for this Booklet

For the man who is perfectly content with himself and his job, the Alexander Hamilton Institute can do nothing. But there are thousands of men who could double their incomes if they believed in themselves and had the solid business knowledge to back up their belief.

Why not investigate *now*? The booklet pictured at the left costs nothing and places you under no obligation.

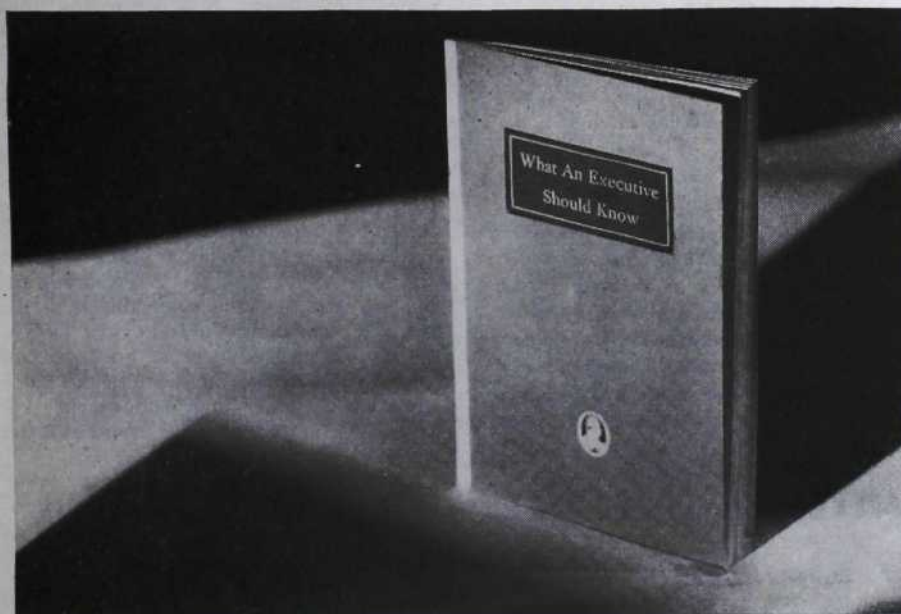
To the Alexander Hamilton Institute, 664 Astor Place, New York City. (In Canada, address Alexander Hamilton Institute, Ltd., C. P. R. Building, Toronto.)

Send me "What an Executive Should Know," which I may keep without charge.

NAME _____

BUSINESS ADDRESS _____

BUSINESS POSITION _____



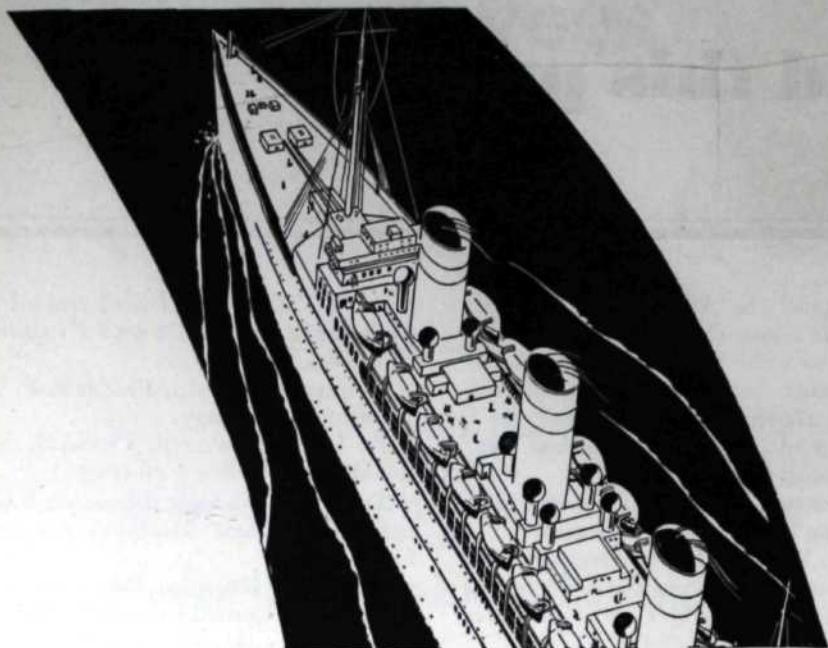
For the Man who wants to be Independent in the next 5 years

THE little book pictured above should be read by every man who expects to win a secure place for himself in the next five years. It explains some of the changes which are taking place in the business world today. It tells

how you can equip yourself to take your place in the new business structure with confidence and increased earning power. It contains the condensed results of 20 years' experience in helping men to forge ahead financially.

GO

EMPRESS



FASTEST TO JAPAN... CHINA...PHILIPPINES

■ A sleek, white shape on the horizon... a wisp of smoke... she's gone! She's the Empress of Japan, the embodiment of all that the "Empresses" mean in Trans-Pacific smartness. • Empress of Japan, and her running-mate, Empress of Canada, sail *via Honolulu* to the Orient... in 13 days. San Francisco and Los Angeles sailings connect at Honolulu. • Empress of Asia and Empress of Russia, largest, fastest liners taking the *Direct Express* route, go to Yokohama in 10 days. • All "Empresses" also carry a fine Tourist Cabin at lower rates. Note: Reduced All-Year Round-Trip Fares. All "Empresses" sail from Vancouver (trains direct to ship-side) and Victoria. Fares include passage from Seattle. • Orient tours. Tour service... Round-Pacific, Round-the-World. • Booklets, information, from your own agent or Canadian Pacific: New York, Philadelphia, Chicago, Montreal and 31 other cities in U.S. and Can.

Canadian Pacific

HONOLULU • YOKOHAMA • KOBE • NAGASAKI • SHANGHAI • HONG KONG • MANILA

ORIENT

When writing to a CANADIAN PACIFIC office please mention Nation's Business

and found it not so bad. Our spirits revive a little, we speculate a bit, depending a little more on our ability to see the transaction through. When enough of us face the future in this way, normal activity will return. There is evidence of this today.

The American people are the most volatile people on the face of the earth, the French not excluded. We are either on the roof or in the basement. We either take every chance or no chances. We have been in the basement for the last year or so, and watching for something to happen that would vault us again to the 1928 roof without any particular effort on our own part. Now we are learning that there is a stairway, but by our own muscles must we ascend, a step at a time, and be satisfied with a little sojourn on the first floor and then on the second floor before mounting to the roof again.

MR. J. H. BACHE, head of the brokerage house bearing his name, talks in language I can understand.

"I went into the barber shop yesterday," he told me recently, "and asked if I could get my hair cut short. The barber said, 'Sure, I cut it short. I know how. Everybody wants it short nowadays. It lasts longer.'"

"That's what we need," he continued. "Give the average man the sense of security which tells him he'll be able to buy another haircut next week, and this thing will be over."

AS I write this I look out of my south windows across Lafayette Square and see scores of policemen turning citizens away from those streets leading to the White House. It seems that a group of citizens who hold endowment policies against the United States Government are demanding that they be paid before they are due. Misguided, you say, as to the principles of life insurance, men more to be pitied than censured.

An insurance company will take your \$100 a year and at the end of 20 years return your principal and 50 per cent more. That is compound interest at work. The Government committed itself to pay a certain sum to veterans at a future date. It was able to do this by setting aside an amount each year and subjecting it to the magic of compound interest. How foolish, we say, if policyholders of an insurance company should assemble before the home office and demand their endowment policies paid up today! That transcends all reason.

These government policyholders were deluded by their representatives in Congress who told them it could be done as easy as pie.

YES, unselfish public service sometimes does bring its own reward. What satisfaction Fred Sargent, Felix McWhirter, Matthew Sloan, Lewis Pierson, Roy Osgood, William Fortune, Dr. Thomas S. Adams and Silas Strawn—to mention only a few—must get from seeing their years of work in the National Chamber, directed toward reducing public expenditures and cutting taxes, finally reap such a gratifying

harvest of public sentiment and some accompanying results.

Back there in The Age of Free Public Spending, three, five, or, as in the cases of some of these men, ten years ago, the creation of a compelling public opinion in favor of lightening the tax chains on productive enterprise looked like a long, uphill, perhaps futile, fight. It was all of those except futile. But facts, judgment and well directed energy—setting up an effective organization here, shaping the program of a local chamber there, keeping the dangers of confiscatory taxation unceasingly before the eyes of the public in newspapers, speeches, radio addresses, scores of pamphlets and hundreds of house organs and magazines—those things set energies in motion.

These men, the scores of their National Chamber committee associates, and the hundreds of local business leaders who enlisted, must get a paternal thrill as they see new tax-cutting organizations springing up in every part of the land.

They must welcome these recruits because they know, better than anyone else, that the fight has only begun, that eternal vigilance on every front is necessary if the cuts already made are to be made permanent.

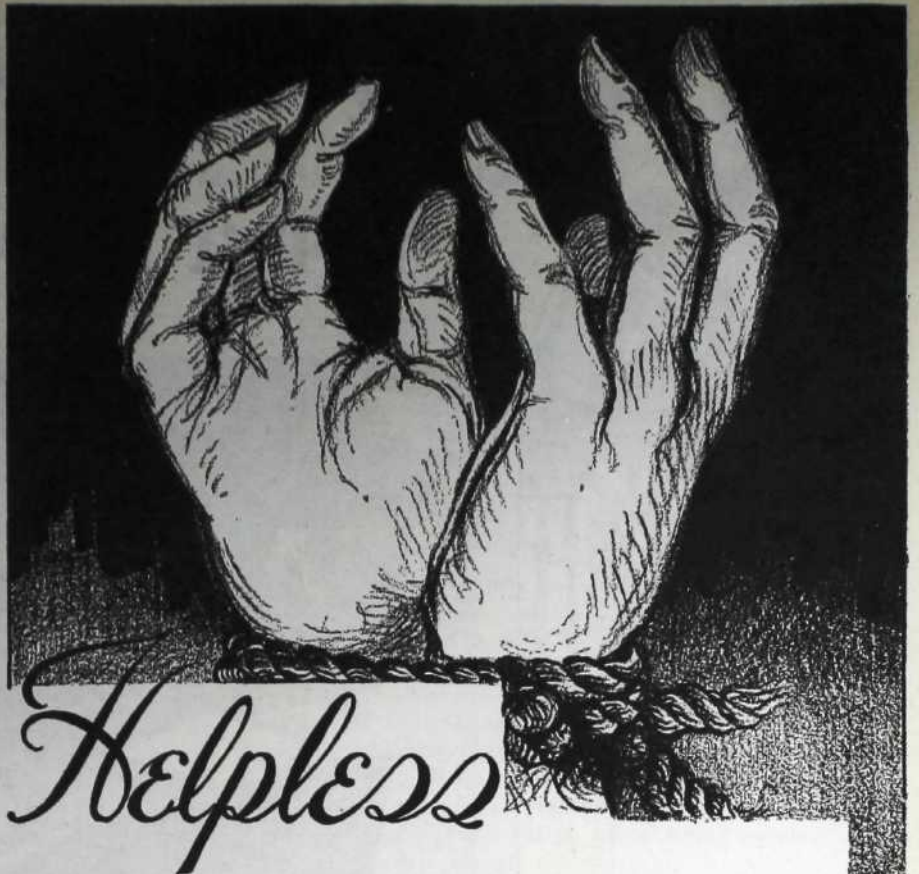
SOME little time ago in this column we gave considerable thought and space to our belief that the accomplishments of business men were their own reward. We were brought to that astringent conclusion by the dearth of memorials to the business great. Soldiers, statesmen, explorers, poets, scientists, physicians done in bronze or marble. But the man of commerce never.

We are thinking of John E. Bierhaus, honored this summer with a "golden jubilee week" by reason of half a century with E. Bierhaus & Sons, wholesale grocers of Vincennes, Indiana. Porter, salesman, credit man, bookkeeper, general manager, owner. Natural steps those, but hard ones, as every man who has won the heights well knows. About two years ago Mr. Bierhaus retired, but only a few months later came the death of his oldest son, succeeding head of the business, it was necessary for the father to resume direction. Now, the two younger sons are qualified to carry on.

So it is that John Bierhaus is again enjoying his well deserved leisure, and the going concern keeps on going. The trouble with the idea of erecting monuments to business men is that the competent practitioner builds his own memorial with the enduring substance of his life and works.

OUTSTANDING bureaucratic contribution of the month to the general welfare:

The Director of the Bureau of Home Economics reports that the Bureau tested in 1931 the palatability of 243 ribs of beef, 448 legs of lamb, 233 pot roasts and 40 pieces of cured pork. "A study," she adds, "undertaken to determine the relation between the style of cutting two-rib beef roasts and the time required for cooking the meat showed that for standing ribs the total cooking time is independent of the length of the rib bones."



EVERY DAY, fire, holdup and burglary catch a host of careful business men napping. Emergencies tie their hands, put people out of work, wreck businesses...all because they have, unwittingly, left the door to disaster wide open. Their neglect invites fire and the forces of organized crime to a share in the profits.

There is one simple way to combat these emergency hazards...CENTRAL STATION PROTECTION SERVICE!

A. D. T. Central Station Service furnishes an outside and impartial supervision of sprinkler systems and watchmen. It also provides a means of detecting fire automatically and of instantly notifying the fire department. In the case of holdup and burglary, Central Station Service provides an immediate response by armed forces, with police department cooperation.

These services are available in all large cities and their surrounding territory. They are recognized and endorsed by insurance companies. They make it possible to rearrange existing systems of protection so that large economies are effected.

Literature—is available on all A. D. T. Central Station Services. Please send for the booklets desired, remembering that there is no obligation whatsoever.

"Night Watchman Supervision"

"Keeping Tab on the Sprinkler"

"The Aero Automatic Fire Alarm"

"Burglary and Holdup Protection"

"The Inside Story of Bank Protection"



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AMERICAN DISTRICT
TELEGRAPH COMPANY
155 SIXTH AVENUE - NEW YORK N.Y.

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You Need a Modern Method for a Modern Job



INTERNATIONAL ELECTRIC ACCOUNTING MACHINE

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As You Go, So Goes the Nation

BAD times, wrote Emerson, have a scientific value. Of our own severe ordeal it could be as truly said, "These are occasions a good learner would not miss."

Apprehensive observers dally nervously with the notion that this nation has reached the end of its commercial and industrial progress. The length of the depression, they argue, is proof positive that we have come to a saturation point in our standard of living.

They have missed the lesson of America's persistent growth.

Wherever enterprise works in partnership with imagination, as it so characteristically does in this land, there is no waiting for omens of the return of prosperity. I hear of numerous instances of little businesses which are not holding back for big business to take the lead. Why shouldn't they forge ahead? They generate their own ideas.

They have contempt for the much talked of "saturation point." They know the phrase is an *alias* for the word "impossible," a word welcomed, it is true, by those who are receptive to any excuse for inaction.

Happily for this nation and its people, there are business men who know that

as long as we have imagination to devise new ways to serve the public, and initiative to put them into operation, the saturation point of theory can never appear above the horizon of fact.

Despite the fashion of doubting the return of better days, no one denies the ceaseless renewal of the domestic market. Children continue to be born, mature, become producers and consumers in their own right, marry and plan careers for their own children. This is the one business cycle which we can count on. Surely and steadily the vast stream of the nation's life moves onward to new desires, new goals, new destinies, oblivious of the mortality among individual citizens and individual institutions.

Because here and there a man has dared to venture, the day's business news is brighter:

New England reopens cotton, wool and rayon mills. Rochester envisages 44 hours work a week until November for 10,000 men and women in the clothing industry. Philadelphia lumber mills are working on sizable contracts, the J. G. Brill Company is busy on a \$600,000 car and bus order for the Indianapolis Railways, and clothing makers have added 1,500 workers to the pay rolls. At Akron, the India Tire & Rubber Company raises wage rates to compensate 400 workers for a cut last January.

Cleveland says small plants are showing substantial gains.

Cincinnati is glad for the increase of jobs at the Remington Rand plant in Norwood. Chicago reports country storekeepers buying more freely as crops seem assured, farmers building up herds under the stimulus of higher prices, and significant gains in industrial employment. Detroit merchants are looking up. St. Louis sees increases in farm product prices the biggest aid to business. Kansas City notes improvement in retail sales. Dallas tells of better prospects for agriculture, with many small industrial units stepping up production.

San Francisco is cheered with improvement in the petroleum industry, and a better demand for houses. Seattle welcomes a new Ford assembly plant with 600 employees, and a monthly pay roll of \$100,000. Minneapolis views hogs as "the brightest spot" in the northwest's business outlook. Atlanta feels the lift of brisk construction, and Richmond makes good news of the rise in employment at the plant of the Export Leaf Tobacco Company. New York reports buyers in good number, and seeking quality rather than cheapness in fall and winter lines.

North, South, East and West, at the grass roots and the cross-roads, business men assert their courage and skill and thus repudiate a defeatist psychology. Their demonstration proves that every constructive action of the individual, every good stroke of business, pushes the nation a little forward, a little upward. Like a spiral, progress actually materializes from the driving incentive to move ahead. Though the determined wayfarers on this ascending path must contend with the gloom of pessimism, they are steadfastly heartened by the indestructible evidence that they can provide their own light and leading.

Merce Thompson

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As the Business World Wags

THUS WE MAY SEE, QUOTH HE,
HOW THE WORLD WAGS—*As You Like It.*

Chamber's First Goal Achieved



NOT since the war has the Congress faced graver questions than it did in the session which ended in July. The Reconstruction Finance Corporation, the Home Loan Bank, a tax measure designed to bring in an extra billion of revenue—all these were put upon the books and he would be a rash prophet who should try to tell what the net of these would be.

What of the other side of the ledger—the stopping of spending? What will be the savings wrought by the economy bill? Here opinions differ. Senator Wesley Jones has declared that the savings will total a billion. Others have said that the real savings will not exceed three or four hundred millions.

Henry I. Harriman, president of the United States Chamber of Commerce, wrote recently to the organization members of that body saying:

Appropriations, exclusive of amounts to be reimbursed to the Treasury and of continuing investments, contemplate expenditures during the current year at least \$800,000,000 under those of the past year. When the Chamber advocated that the budget be reduced not less than \$500,000,000 it had recognized that in the budget proposed there was already a cut of about \$365,000,000 below the budget of the past year. Thus, in the amounts voted by Congress, a reduction, in total more than \$800,000,000, as urged by the Chamber, has been achieved. In fact, according to estimates by Senate and House authorities, the reduction in appropriations may surpass the \$800,000,000 figure by \$200,000,000 to \$300,000,000 depending upon the basis of calculation.

All such figures are subject to correction but the fact remains that a forward step was taken; that the country *was* aroused to the increasing expense of government and that Congress *did* respond to that feeling.

Much of the credit for this forward step belongs to the Chambers of Commerce and the Trade Associations of the country. Led by their National Chamber they fought steadily for a reform of government spending, for the doing away with needless government activities and the elimination of waste in those that were needed.

The Fight Is Not Over



BUT the economy bill of the first session of the Seventy-Second Congress is not the end of the fight—hardly the beginning in fact. Whether the savings prove to be a billion or a hundred million, the fact is that the spending agencies of the Federal Government, the entrenched bureaucrats, are not going

to be content with the loss of appropriation or of power. They will count on the return of better business to dull the public interest in taxation. Fuller pocketbooks, they figure, will be less disturbed by tax bills.

The big job ahead of organized business, of the United States Chamber of Commerce and its 1,500 member organizations, is to see that business men of the country keep up the battle. Since the day of its inception the Chamber has fought successfully for better government financing—for proper budget methods, for equitable taxation, for the elimination of waste and improper activities of government.

The skirmish of 1932 was a victory for the forces of economy but it didn't end the war.

Business Is Feeling Better



NO SICK man ever was propped up in bed with a pillow behind his back without wondering if he couldn't take a chance and walk across the room. No sick man ever started to show the first faint signs of convalescence without needing—and getting—myriads of warnings not to overdo.

Just now—August 10—to be exact—business shows signs of getting better. The various projects fostered by Government, the Reconstruction Finance Corporation, the Home Loan Banks, the Glass-Steagall Act, are having effect. The banks are more confident and see opportunities for profit in increasing currency under the amendment to the home bank bill. The bond market has strengthened and stocks have shot up. Commodity prices are better and another huge fund is reported in formation to finance the purchase of raw material for use in manufactures.

The sick man then is feeling better. He has been well dosed with tonics and stimulants. He's beginning to think of solid food and it's hoped he can digest it.

In other words, business may show this month and in October some real upward turn in the major measures of production and consumption.

What Will We Do Now?



THE real test of the business intelligence and business leadership of this country will come with the recovery of business. What can it do to prevent a future decline, to adjust production to consumption, to prevent or to prepare for unemployment? Is the five-day week wise and advisable and in what industries? Should the antitrust laws be revised and to what ex-

tent? Should industries set up pension systems or shall the whole matter be left to the states?

These are typical of the problems that must be dealt with if we are to prevent or modify another depression. The country is not going to be content with an answer that depressions are inevitable, that inflation and deflation are swings of the pendulum.

If organized business cannot lead the way in straightening out these tangles, we shall find the tendency to turn to government is increasing.

Lausanne Helps American Farmers



WE'RE apt to think of the Lausanne agreement as something far away, too remote from South Dakota to concern a wheat farmer, a matter for bankers perhaps, but not for workers in the Oklahoma oil fields or cotton growers in Mississippi.

Silas H. Strawn, chairman of the American Committee of the International Chamber, brought the agreement home to the people of the United States the other day when he said:

Until American cotton, wheat, oil and other foodstuffs and raw materials are again absorbed by the population of Germany, Great Britain, and other peoples of Europe, the purchasing power of our great agricultural and mining population in the United States will not be renewed. Lausanne is therefore significant not only for our manufacturers whose export markets have diminished so drastically in the past three years, it has similarly a vital importance to every phase of our great productive and distributive machinery.

If Lausanne with its promise of hope, since it brought European nations into friendly agreement on reparations, should be followed by some action satisfactory to all parties on the intergovernmental debts and that in turn be accompanied by a reduction in armaments, we should have a Europe with more money to spend for cotton to wear and wheat to eat and oil to burn and Mississippi, South Dakota and Oklahoma would feel the effect.

Boosting The One-Cent Mail



THE familiar lines, "Sleeping under blankets; cross shows our room; wish you were here," always make for a seasonal increase in the number of one-cent cards in the mails, but the popularity of the cards in the past few months has extended far beyond the summer resort trade. The revision of first-class postal rates, which left the postal card untouched but raised sealed-letter rates to three cents, was responsible, of course. Many companies and individuals are using the one-cent postal card for routine messages, bills and statements where once they used letters.

But be careful about sending bills and statements in this way—it may prove a penny-wise, pound-foolish policy. Postal laws and regulation make unmailable, the Post Office Department says, "cards by which it appears that the addressee is being dunned for an account that is past due."

"This does not include," the Department continues, "cards that bear respectful requests for the settlement of current accounts or that give notice when an account, paper, assessment, taxes, gas bills, etc., will be due, and such cards are regarded as mailable."

"Cards that threaten the bringing of suits or legal proceedings if debts, accounts, etc., are not paid" are also held unmailable. "It should be carefully noted," the Department concludes, "that this regulation has no reference to matter that is under cover."

The penalty fixed for violation is a mere matter of a fine of not more than \$5,000 or imprisonment of not more than five years, or both.

Tell Your Congressman



BERNARD BARUCH tells us in this issue that a billion of federal spending can be cut out and that \$400,000,000 can be saved in the Veterans' Administration by putting 26 words in the law:

No part of the appropriation under this act shall be paid to any person except for or on account of an actual war-connected loss or disability.

Common sense isn't it? You agree and ask: "What can I do about it?" You can do this. Ask your Senators, the Representative from your district or every Congressman from your state if he agrees. You don't need to threaten him, just get his answer, get it in writing if you can.

Breaking Down Individualism



"THIS system of transferring property by legislation—of giving pensions and gratuities to individuals, companies, corporations, and States—of squandering like a young heir the public lands, which belonged to the people, on deaf and dumb asylums and other local institutions—of destroying commerce and agriculture to benefit a comparatively small number of capitalists who had embarked their funds in manufactures—of making gifts to states and sections for roads and canals—will degrade the states by inducing them to look for bounties, to the Federal Government; will degrade and demoralize the people by making them dependent on the Government; will emasculate the free spirit of the country. . . . As soon as the people of ancient Rome were taught to look to the public granaries for support, the decay of public virtue was instantaneous."

A statement applicable today. It was made just a century ago by Warren R. Davis of South Carolina and is quoted by Charles Warren in his book, "Congress as Santa Claus."

When Banks Help Business



THE Government threw its resources into the banks through the Reconstruction Finance Corporation and in the minds of many the banks held on to what they got so that the benefit to industry was slight. An unfair point of view but common.

To help the lending bank and the borrowing business get together, Banking and Industrial Committees were named in each Federal Reserve District. These committees are hard at work and it may well be that the better feeling which marks business as this is written is a result.

The Fourth District, with headquarters in Cleveland, did an effective job. The Committee first looked into the condition of the banks, then they asked some 3,000 manufacturers a few questions and got an overwhelming response.

A Cleveland correspondent writes:

The replies disclosed a good many small manufacturers who needed to borrow but who had lost their bank and could not yet convince a new bank that they were good customers. It located some which had outgrown their local facilities without knowing it, and needed to be introduced to larger accommodation. It found a few who really did not know how to put themselves in shape to ask for credit. They also located some who wanted to modernize their plants, but for these they could do nothing more than explain that when the top layer was knocked off the pile of those desiring credit, the next group below, those needing more permanent financing, would be able to get it.

With definite facts, the Committee wrote to the banks a stirring letter. Here are two paragraphs:

There is a vast amount of productive business available, particularly to the small manufacturers within the District, if bank-

ing accommodation can be extended to finance such productive business. It is reasonable to believe that with some degree of stimulation in the productive activity of the smaller industries, the larger raw material industries which supply the material to the smaller fabricators will receive a decided stimulus. No pronounced improvement, however, can be expected until and unless there is to some degree an increase in the credit available to the small industries.

If faith in the lender and courage and resourcefulness in the borrower are brought into partnership . . . all the related functions of our modern business life will be brought into a new and improved relationship, which may well be the beginning of the first important step toward sound recovery.

Help the small business and the heavy industries will respond is a sound idea in these times.

Reconstruction At Home



THE problem of the small home owner, the worker in white collar or overalls who, having bought a house, finds himself without a job or with only part of a job, is a grave one. He can't pay his taxes or interest on his mortgage. The community to which he owes taxes doesn't want to sell him out—and frequently couldn't find a buyer if it did—the holder of the mortgage isn't eager to foreclose.

Industries have been dealing with the situation among their workers, helping wherever possible, sometimes suggesting means of refinancing, sometimes taking third mortgages.

Communities are facing the problem also. Here and there chambers of commerce are trying to find what they can do to be helpful. From Gary, Ind., comes a helpful note. That city has set up its own reconstruction corporation seeking to consolidate the resources of the community to help the hard pressed. A mortgage loan bureau has handled more than 1,000 cases in which home owners faced the loss of their equities and in most cases has succeeded in bringing together buyer and seller, borrower and lender in some friendly readjustment.

Gary is an example which is well worth the attention of other cities. The Home Loan Banks may help but they can't do everything.

"Tax Tangles of 1932"



TANGLES crop up in articles as well as in other things, the case in point being the article in our August issue, "Tax Tangles of 1932." Through an inadvertent omission the fact was not made clear that the new federal tax on electrical energy is applicable only to electrical energy furnished for domestic and commercial consumption. Quoting from United States Treasury Department Regulations Number 42, Chapter V, covering this tax:

"Electrical energy for domestic or commercial consumption" includes all electrical energy furnished the consumer except electrical energy furnished for industrial consumption. Electrical energy for industrial consumption includes that used generally for industrial purposes, that is, in manufacturing, processing, mining, refining, irrigation, shipbuilding, building construction, etc., and by public utilities, waterworks, telephone, telegraph, and radio companies, railroads and other common carriers.

Too Much Regulation



E. G. BUCKLAND, chairman of the New Haven Railroad and president of the Railroad Credit Association, has a seven-plank platform for the railroads. He wants to loosen and lighten the fetters of regulation on the railroads but at the same time he wants to tighten them on the railroads' competitors.

He wants the railroads freer to meet competitive rates and

would permit them to make rate changes on less than 30 days' notice. He would permit the railroads to engage in water transportation even with foreign countries.

But he asks "federal regulation of all common and contract carriers operating over the highways in interstate commerce," and he also wants the states so to legislate as "to bring about equitable distribution of the cost of constructing and maintaining highways upon the users of such highways."

That the competition between methods of transportation should be fair goes without saying; but wouldn't it be better if instead of adding to the regulatory handicap of one we should still further lessen the handicap of the other? How would it seem if a man about to run a race were carrying a 50 pound weight and the judge told his competitor to pick up 50 pounds also? We might get a fairer race for transportation business if we went still further in cutting down the regulation of the railroads.

I. C. C. Cuts Other Men's Salaries



NOT long ago the Interstate Commerce Commission with the assistance of Senator Couzens of Michigan, had published in the *Congressional Record* a list of salaries paid to the major executives of the Class I railroads. The highest salary paid was \$135,000 and railroad presidents averaged \$30,000 a year. It may be added for the sake of the record that members of the Interstate Commerce Commission received \$12,000 a year prior to the recent cut in government salaries. Senator Couzens' income is not a matter of record. Common repute is that he is a very rich man.

The Commission has now decided to put a restraining hand on the salaries of railroad officials. It has refused to approve a loan to the Missouri Southern unless it agrees not to pay its executives more than \$10,000 a year during the life of the loan.

Here is a new and rather startling instance of control of railroads by the Commission. The Missouri Southern is not an important railroad, but the principle involved is highly important. The Missouri Southern is only 69 miles long and perhaps none of its executives can earn a greater salary than the Commission fixes. But is the Commission to set up a prevailing rate of wage for railroad officials?

The Battle for Building Jobs



IF EVER a prize is awarded to the industry which suffered most in the depression, the construction business will be apt to put in a claim for it.

It is always easier to do without new buildings than without new shoes or bread and butter. Office space and living space are more compressible than stomach space.

And more than that, the construction industry has been for two years an industry with practically only one customer, government. Government is sure pay and dependable, but not an easy customer. It has one major rule, contracts are awarded to the lowest responsible bidder. The result has been that many contracts have led to loss on the part of the general contractor or to a driving down of prices to subcontractors and material men such that they have been hard hit.

Here's the way a large contractor described the situation:

When I look at my industry, I am reminded of nothing so much as a pack of starving dogs hanging around a kitchen door. Now and then the door opens and a small piece of meat is thrown out. It isn't enough to satisfy even one dog but they all start for it. Two or three are maimed or killed. The dog that gets it is pretty well torn up but he manages to hold on a little longer.

Federal Taxes Can Be

By Bernard M. Baruch

War-time head of the War Industries Board

A FORMIDABLE barrier to economic recovery is government expense. As nearly as such figures can be approximated, the cost of all government this year—federal, state and local—will reach \$15,000,000,000, which must be taken out of a probable income from wealth-producing effort of \$45,000,000,000 before anything is available for interest on debt and, after that, of sustenance. Obviously that leaves little or nothing to activate business. It is an impossible situation.

There are three ways to balance a budget—by increasing income, by reducing expenses, or by doing both. To increase government income, we must increase taxes. We have reached the limit of taxing power. In addition to the prior charge of taxes, there is (so far as the large debtor class is concerned) the prior charge of a colossal private debt. The combination of these charges on individual income (even allowing for the offsetting nature of some items) leaves little margin over the cost of bare existence.

Theoretically the Government can borrow. Practically

cut expenses. Unfortunately, governments have another—a dangerous and destructive "easier way." They can emit due bills and, by law, impress them with the character of money—in other words, start the printing presses.

While, in our extremity, we have not gone the full distance toward that expedient, we have moved in that direction. Unwilling to reduce spending, unable to increase revenue, and finding it impracticable to borrow in the normal sense, we have devised a novel and somewhat obscure fiscal policy. The method is for the Treasury to issue its short-term obligations for such spending as is not covered by revenue. These are sold in the open market, but about as fast as they are emitted an almost equal amount of government obligations—mostly short-term—are purchased by the Federal Reserve, and paid for by increasing the volume of Federal Reserve notes or writing up bank credit.

It is a process of dilution. To finance the various emergency palliatives and our inevitable new deficits, we must find four billions of dollars, and no sounder method than this has yet appeared. The tendency is to impair the national credit and to make the future of money uncertain.

We are here face to face with a pivotal fact of this depression. People who still have money are afraid to spend or invest it. Thus domestic trade remains stagnant. There is less employment because there is less trade. There is less trade because the future of money is in doubt. The future of money is in doubt because of a staggering gap between government income and outgo, and because our fiscal policy is obscure.

Confidence needed

SOME say that this modified monetization of debt supplies a need for more money. There is no lack of money. We have more money outstanding than ever in our history except for a few months during the 1920 inflation.

All the money plus all bank deposits would finance more sales at present prices than all the money plus all the deposits would have financed at prices current at the height of the 1929 activity. It is not money that is scarce; it is confidence in money. If the stability of money and credit were established beyond peradventure in the eyes of all the world, timid money would rush from hiding here seeking invest-



CHARLES DUNN

Government is the only organization which has not reduced its spending

that power is now limited. The Secretary of the Treasury has well shown that with an unbalanced budget, we cannot go to new long-term billion dollar bond issues without threatening the solvency of banks, insurance companies and other fiduciaries.

When an individual's income drops far below his spending and no one will lend, he has but one recourse—he must

Cut a Billion



TOO often the taxpayer is told that "uncontrollable" items of federal expense block large-scale savings. In Mr. Baruch's opinion, a cut of a billion dollars not only is possible, but essential to business recovery. He tells you how

ment, and from abroad in quest of a safe haven. There would be more *sound* money asking to work than all the inflated money we purpose to create. It is the key to recovery and it depends upon the simple expedient of balancing the budget in the only way left to us—by reducing spending by about one billion dollars.

Unless we do this, none of the palliatives thus far devised can succeed. If we do this, these palliatives should soon prove unnecessary.

It has been repeatedly asserted that so much of federal spending is "uncontrollable" that we cannot save one billion dollars. Such assertions mark a major divergence between two schools of economic thought.

Reduction or no reduction depends on the underlying concept of the economic and constitutional function of Federal Government. What the present dominating concept is, appears from the fact that, since 1927, the annual administrative cost of the Federal Government has increased by about one billion dollars. While about \$400,000,000 of this is ascribable to veterans' relief, the remainder results from the recent development of a robust philosophy of centralization, paternalism and bureaucracy.

There is not space here to go into the fantastic development of federal bureaucracy. Suffice it to say that this development is one of the gravest dangers to our economic system. In principle, it is of the very essence of state socialism. In law, it is subversive of the fundamental principles upon which our Constitution is based. As Sterling Edmunds has well shown in his book, "The Federal Octopus," the entire income tax revenue in 1930 was paid by fewer than two million taxpayers. He puts the estimated number of federal officeholders and employees in that year at almost exactly the same figure, or, with dependents, five million people, and says:

"For every federal taxpayer there are two and one-half persons sharing in his taxes."

And to what end? The tendency, if not the purpose, is to destroy that individual liberty for which our form of government was conceived. This is no place for a discussion of this lethal tendency. It is enough to say that Federal Government



FITZPATRICK IN ST. LOUIS POST-DISPATCH

Arousing a new interest in Government

or its officials are now empowered to regulate our drinking and our movements from place to place; to control our earning, our accumulation of wealth, our speaking, writing, reading, and the morality of our personal relations; to supervise our use of air and water; to meddle in our education, child culture, labor-employment, and practically every function of our living; to search us without warrant, tap telephone wires, indulge in inquisitorial surveys from which little is hid, and finally to destroy the value of our property.

While some of these things are proper subjects of control, few of them are proper subjects of *federal* control and almost none is a proper subject of the inquisitorial and autocratic method of control that has grown up under the federal bureau system.

This is the precise reverse of the intention of our Constitution. Because the forebears of the framers of our Constitution had come here to escape just that sort of government and because some of our fathers foresaw and feared just what has happened, ratification of the Constitution was made contingent upon the immediate adoption of a Bill of Rights in which were imbedded the greatest guaranties of Magna Charta. This resulted in what we call "the First Ten Amendments." The headlong pace of the economic philosophy protested by Edmunds is apparent in the fact that in the past 11 years, and one by one, the great guaranties of that Bill of Rights have been practically all either destroyed or so emasculated as to be of little worth.

Return to simple Government

IT IS against the whole trend of this destructive economic and political philosophy that the writer is here contending. That trend is registered in an increase in cost of administrative government from the prewar standard of about six hundred millions to the current spending of about three billion dollars in spite of a lower basis of costs and prices. A destructive political concept has resulted in a destructive economic cost. There is no possibility of reducing the cost without changing the political concept.

It has been said that the times require bold experimenta-

tion. The bold experimentation most needed is a return to the simple, homely, time-tried doctrines of individual liberty embedded in our Constitution but submerged by a doctrine closely akin to what we so lately knew as the "new economics."

Let us return to the argument that it is "impossible" to save \$1,000,000,000 in federal spending. Since 1927 the cost of administrative government in this country has increased by about \$1,000,000,000. It is fair to assume that what has been added without much apparent benefit can be subtracted without very appreciable harm.

It has been mooted whether Congress or the Executive should do this task alone. It is apparent that they have not done it together and that neither separately has reached any appreciable result in the attempt to do what lay within its powers. Regardless of our theoretical segregation of government into three branches, the task of reducing expenses is a joint executive and legislative one. The executive cannot do it alone because many expenditures are governed by statute. The legislature cannot do it alone because it cannot hold the executive to responsibility for performance of his duties without giving him some voice as to the instruments with which he must work.

But there are some items in which the responsibility of the legislature is single and direct. Chief among these is the expenditure for the benefit of ex-service men. No one, least of all the writer, will ever be heard to protest the amplest measure of protection, care, and compensation to any former soldier whose full bodily or mental vigor has been impaired in the military or naval service of his country, or to those who became dependents of such men before such impairment. But under no conceivable principle of responsibility or duty of Government can expenditure of money be

justified to men who have suffered no war-connected disability or loss whatever. Still less can it be justified to the dependents of such men.

The insistent assertion that we cannot reduce federal spending by \$1,000,000,000 seems to regard payments to veterans not hurt in war as "irreducible." The mechanism for saving at least \$400,000,000 here is simple. It requires 26 words in the veterans' appropriation act, to wit:

No part of the appropriation under this act shall be paid to any person except for or on account of an actual war-connected loss or disability.

The righteousness of that short amendment requires no argument. It is the absence of it in the present law that requires justification. No human ingenuity of dialectic or sophistry can ever supply it.

Economy is not impossible

THERE remains the task of reducing \$2,000,000,000 of other administrative expenses to \$1,400,000,000. In 1927 the total expense of government, excluding debt service, was \$2,187,000,000. The corresponding 1931 figure was \$3,163,000,000. It is apparent that, after reducing disbursements to veterans by \$400,000,000, the task of reducing other spending by \$600,000,000 is approximately the task of taking off what has been put on in the years 1927 to 1931. This is a reduction of less than 25 per cent in a "controllable" overhead expense accumulated during a period of delusive prosperity. Every executive and nearly every family in the country has, perforce, faced this problem and solved it. It is literally true that the only class of organization that has not done this is the governmental class.

It is said that great study must be given to this subject before action. No subject has been more thoroughly studied, plotted, cross-indexed, documented and charted in the past 20 years. That work began in the Taft administration and has continued ever since. It is time to capitalize upon these two decades of contemplation of the task and start performing it.

The first step would be for Congress to return to the President any budget carrying more than \$2,000,000,000 for the purely administrative cost of government (i. e., cost not including debt service), with instructions to submit a budget confined to \$2,000,000,000, and with the further admonition that no more money is available for administrative spending.

The President then should be required to submit a new and revised budget within the legislative maximum. That is the constitutional and orderly approach.

In general, the various items of federal spending should be listed in the inverse order of their necessity and soundness. Items aggregating \$600,000,000 should be lopped from the top of the list.

The detailed method does not differ from that in any great corporation. Heads of departments should also be given specific limits and told to rebudget their spending within those limits. Cooperation of department heads would be necessary and obstructive tactics within the administrative machine itself should be sternly eliminated.

A joint congressional committee should be created to cooperate in preparing the revised and reduced budget because many reductions require statutory amendments.

It would be a blessing to the country and a great economic advance if the principle of lump sum departmental appropriations under general congressional di-



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Old enough to be told now

(Continued on page 46)

What's Going on in Washington

Another Letter from W. M. Kiplinger

DEAR MAC:

YOU asked me the toughest of all questions. You asked, "Where are we now, and where do we go from here?" You want to know what's the good of all this government lending business, and what it means for the future.

I'll tell you right off that no one in Washington knows flatly, surely, absolutely and unequivocally. But there is hindsight for the past and theory for the future, and I'll give you a mixture of the two. I'll give you the Washington thought about things, and at the same time caution you not to swallow it whole. Merely mix it with your own observations.

Hindsight TO SEE where we now are you must look back to where we were a year ago.

There was a real financial panic in this country. Foreigners had lost confidence, were selling their holdings, and taking their gold back home. A billion dollars of gold left this country during the past year. The Federal Reserve system had about \$5,000,000,000 of gold a year ago, and now has about \$4,000,000,000. The gold export movement has now ended. There is no large amount of domestic gold hoarding, despite all the loose rumors.

A year ago or less banks were closing by the hundreds, not for lack of assets, but for lack of ready cash. So the Government came along with loans of ready cash, and bank failures died down.

There was the possibility that the United States would go off the gold standard. Now there is no such prospect.

Business has continued to slide off. Unemployment has grown. Liquidation has continued.

At this point you may well ask, "What's the use of all the government loans?"

The theory is that the government loans have acted as a brake on liquidation. They allayed the panic fever. They did not cure anything that was fundamentally wrong, and they were not meant as a cure. They represented, frankly, a palliative.

There has been plenty of idle capital and idle credit in this country. Its owners feared to put it out on hire. They preferred to let it lie idle, or relatively idle. They trusted only the Government. So the Government borrowed it, by selling securities, and put it to work in the form of loans. Thereby the Government created no wealth and no credit. The Government merely circulated it. The nation as a whole has neither more aggregate debt, nor less aggregate debt as a result of all these loans. Theoretically there is no new burden on society and no lessening of the old burden. There is merely a realignment of debts or obligations, so that banks, railroad companies, insurance companies now owe the Government instead of private creditors, and the Government in turn owes taxpayers and private lenders who bought government securities.

You are a citizen of the national State, and also a member of the complicated system which we call busi-

ness. Business owed you certain things, but was not functioning, was not delivering. So the national State did certain things with your money and my money. The national Government stopped a panic.

It is too early to prove that you, as an individual, have gotten your money's worth out of the government policy of lending your money. The results to date are negative, and negative results are never clearly measurable. The fire down the street has been put out, and it cost you money. There's no certainty that the fire would or would not have spread up to your place. If it had, it would have cost you more money. The Washington theory is that your place was in danger, and that you are "less bad off" than you would have been if all this lending had not been done.

Danger YOU ask whether the danger is now past.

No, certainly not. These government loans are full of danger, and everybody knows it. Some will never be collected. Some have doubtless been wasted, because they were used to support flimsy localized situations which will not subsequently grow into healthy situations. Certain liquidations have been deferred, though doubtless not prevented, and when they come later the Government (which means you and me) will be creditor-out-of-luck. False hopes have been built up here and there, and the collapse of a false hope is always painful.

These cases are doubtless numerous. But the Washington assumption is that they represent a minority, and that on the average the government loans were "sound" and will be repaid. It is all a matter of judgment in emergencies, and the prevailing Washington belief is that when the experiment is finally washed up, the cases of good judgment will far outweigh the cases of doubtful judgment.

We are now dumping more public credit into this chasm of unknown depth and extent. The chasm is certainly deeper and wider than most of us thought a year ago. There are those now who think that the bridge of government loans will not stretch to the other side, that it will collapse and make an awful smash. Perhaps it will. The Washington view is that it probably will *not*.

Business Recovery WASHINGTON thinks that the bottom of the depression has been passed, that this occurred during the summer, in June, July and August, and that the first certain beginnings of permanent recovery will be this fall, evident in September and October. If this proves true, then the dangers mentioned here are minimized.

Unofficial Washington views about business are not always right, but they have been less wrong than those prevailing in any other center. Unofficial Washington foresaw the stock market smash in 1929, and gossiped about it in advance, timing it erroneously for midsummer instead of late fall. Unofficial Washington was

misled by the upturn in the spring of 1930. Since then the unofficial views expressed hereabouts have been pretty much in line with subsequent developments. By "unofficial" I refer to the stratum of government experts who advise the political higher-ups, and to the numerous private observers in business organizations having Washington headquarters.

It is noteworthy that the Washington talk as to business prospects has been skeptical up to about the first of August. During August it gradually brightened. The brightening has been moderate, accompanied by many cautionary comments against boom talk which often develops suddenly in the first phases of recovery from any depression.

The Recuperation Period IT SEEMS to most observers in Washington that when history is written, the tail end of 1932 will appear as the start of the recovery, and that 1933 and 1934 will be years of slow and irregular improvement. Liquidation is not over, but the great wave of panic liquidation probably is.

Debts TALKERS talk and writers write of the necessity for further "readjustment." This is a fancy word, a lazy word, used to imply a lot of things which one hates to say outright. These things are in mind, however:

Debts have been incurred and cannot be paid. This applies not to all debts, but to some debts. It is impossible to be specific without writing a book. Some creditors must scale down their debts, accept 50 cents on the dollar, or reduce the interest rate, or both. Some have already done this, some have not. Perhaps real estate indebtedness is the one big class in which the facing of realities has been delayed. If debt adjustment is done on a sufficiently broad scale, then inflation hereafter will not be necessary. If it is not done some more, then inflation is politically inevitable.

Downward revision of debts is one method of accomplishing forced redistribution of wealth.

Inflation SEE what we have done about inflation during the past year.

As for currency inflation, we have avoided it by defeating all the bills in Congress providing for it. True, we got the Glass amendment (in the Home Loan bill) which allows national banks to issue national bank notes by putting up government bonds as collateral. This is technically inflationary, but is not effective on any large scale at this particular time, due to many complicated reasons which I shall not take time to explain. If business gets a good move on by next year, and bank loans are in demand, this national bank currency could be used as the basis for more liberal bank loans.

As for credit inflation, we have taken a few steps toward it. We have prepared a situation in which credit is expanded without being inflated. Credit expansion so far has had negative results—it has prevented panic. The expanded credit has been sopped up by the export of one billion of gold, and by the hoarding of about \$1,500,000,000 of currency. *Approximately now* is probably some sort of turning point. *Approximately now* probably marks the time when banks will be forced to seek good loans as outlets for their surplus reserves. Thus the credit expansion of the past year is ex-

pected to be a business stimulus during the next year.

Let's get this inflation business straight, without going in for a technical discussion. To inflate currency is to cheapen it, to pile more of it upon the given gold base, to make it worth less. The object is to make more of it exchangeable for commodities or services, thereby to raise prices. In the past year we put government bonds into the currency base (by the Glass-Steagall act), and thereby we released gold. But this did not amount to inflation, because the gold remaining in the base was still more than the minimum provided by law. The gold released was excess gold. We created no new currency with any cheaper base than the law allows. We killed the bonus, which would have been financed by issuance of paper money based on government bonds, "paper bonds."

Another point about currency inflation is that there is no way of expanding tremendously the amount of currency actually in circulation. People don't want currency; they don't use currency; they use checks, which represent our major form of currency in the United States. You don't carry much money in your pocket. You put it in the bank to your credit. Currency expansion, therefore, really becomes credit expansion.

Credit can be expanded by the Federal Reserve system without any special monkey business affecting paper money or currency. The credit base has been expanded in the past year, mainly by the purchase of government securities. True, it hasn't "worked" in a way to expand the volume of business, because gold exports and currency hoarding at home have acted as sponges to take it up. The sponges now seem saturated, so the credit expansion hereafter is expected to "work."

If it does not work, then some sort of inflationary legislation is likely to be adopted at the next session of Congress.

Farm Mortgages ONE of the principal pieces of pending inflationary legislation is the Frazier bill, proposing to refinance and refund farm mortgages, to ease the mortgage burden on farmers, to load the burden on the Government, and to force inflation as the Government's way out. There will be a big push for some legislation like it.

The Budget and Inflation A YEAR ago we were headed directly for inflation by the unbalanced budget route. If you force Government to pay out currently more than it receives currently, you force it to borrow. To make possible its borrowing, you practically force it to inflate, as was done on a grand scale in 1917-18.

It is a rather remarkable performance that in such a year as this we have approximately balanced our "regular" federal budget.

Still a Deficit THE unbalanced portion of the budget for the coming year is due mainly to Reconstruction loans. The R.F.C. will borrow in order to lend on capital account—not for current expenses of Government. It borrows on government credit, and lends government credit. Theoretically the loans will be repaid; theoretically these operations check deflation but do not cause positive inflation.

Relief Loans THE 300 millions already available for federal relief loans to states prob-

ably must be augmented by Congress next winter. This is not a pleasant outlook.

The cause of local responsibility for relief has already been harmed. It was apparent within a week or two after federal funds were assured, because donations fell off in many localities. It is now a big job to rebuild the idea that each community must care for its own requirements, and rely on the central Government only as a last resort.

Unemployment THE only sure thing is that unemployment will be plenty big next winter. The burdens will *seem* worse than last winter. Business pick-up meanwhile will not greatly increase the abilities of communities to handle the situation, but it will help the spirits and promote a willingness to accept taxation for relief, as well as stimulate donations in the hope that this winter is the last of the big relief winters.

Continuing unemployment for several years probably is to be expected. We must organize locally to take care of it. The coming year doubtless will see the development of many new schemes for forced production, to make jobs, and forced consumption of the product, and acceptance of the "spread work" idea.

Barter on a national scale is proposed in several bills pending before Congress. One is the U. S. Exchange Corporation plan, backed by railroad labor. The U. S. E. C. would make loans to unemployed men, heads of families, in the form of vouchers, good for payment of bills. Thus consumption would be subsidized, whereas in the past production has been subsidized. The individual debts would represent a lien upon future earnings, future jobs, which would be created by the stimulation of consumption-production. If the dole is forced upon us within the next year, it will be in some form such as this.

Taxes CONGRESS may have to raise taxes some more next winter. If so, the general manufacturers' sales tax probably will be accepted. It would replace some but not all of the special excise or sales taxes voted at the last session.

Veterans IT IS significant that veterans themselves are beginning to consider the need for cutting down expenditures for veterans. It is just beginning to sink in on the public that the law of 1930 permitted pensions to veterans because of disabilities incurred either before or after the war, not merely in war service. This bill alone can easily amount to a billion dollars annually within a few years.

Bonus IN MY opinion, the chances of advance cash payment of the soldiers' bonus was killed for all time by the bonus marchers' demonstration in Washington. The marchers were reasonably well behaved while Congress was here, but they impressed

on Congress and on the country the potential dangers of future legislation under pressure of mass demonstrations at the Capital.

After Congress quit, the bonus demonstration became an unemployment demonstration. The men on the whole were orderly. The riot was accidental and was incited by a minority of agitators. They talked it up; they threw the bricks at policemen. Then the Commissioners of the District of Columbia got scared and told the President the local police could not handle the situation. The President took them at their word and called troops. The troops were systematic, effective, and not unduly rough. Tear gas, not bayonets, did the work. The shootings were by police, not by troops.

It seemed to me, as an eye-witness, that the police could have handled the situation without troops.

Behind the dispersal of the marchers was the thought that relief and the problems of administering relief must be localized, for this is the best way to do two things:

(a) Check against imposters, voluntary loafers and psychopathic cases.

(b) Stimulate each community into doing its own utmost to make jobs, to be ingenious, to create work.

It seems to me probable that there will develop in the United States a form of fascism, with the unemployed as a nucleus, with unemployed veterans taking the lead in the organizing. The movement will not know precisely what to do with itself in the beginning, but it will gradually develop its aims. These aims will not be communistic, although it must be admitted that in all countries fascism and communism have had a certain common goal, disagreeing on route and method.

War Debts A GREAT majority of public officials in Washington believe privately that the war debts should be revised downward. Those with minds for political expediences believe the issue should be soft-pedaled until after the passions of the election campaign are past. They think that there is much more political capital on the side of no revision than on the side of revision. They believe that the emotions of the American people are predominantly on the side of making Europe pay its debts.

I cannot foresee clearly what will happen in December, when war debt payments are due again. I think the President will recommend a further moratorium, and a calling of the Debt Commission for consideration of revision. I think Congress will talk loudly against this, but will follow the recommendations of a group of leaders of both parties, as Congress did on the original moratorium.

Next winter is a most embarrassing time for this problem to come to issue. Our own unemployment difficulties will be acute. The only good point about the time is that the elections will be over, and political dictation will again be in order. If any administration or

HOME loans, war debts, veterans' legislation, inflation, the budget, and unemployment are some of the subjects Mr. Kiplinger discusses in attempting to answer the question, "Where are we and where are we going?"

The conclusions he draws are his—not ours—but they are formed only after careful sifting of facts and gossip

party were to advocate openly at present the revision of European debts, without some clear demonstration of reduction of European armament expenditures, that party would be defeated in November. The American people are harder-minded on this question than a majority of our financial leaders realize.

Home Loans THE NEW Federal Home Loan system will ease the mortgage situation in many regions by giving financial elbow room to building and loan associations, and some other classes of lenders. It will not stimulate home building materially for a year or more. Legally loans may be made under restricted conditions by the Home Loan Banks to home owners direct, but actually this will not be done to any great extent.

The new Home Loan system is government incubated, government-capitalized in the beginning, government-regulated, semi-private in management later on—much like the Farm Loan system. It will work mainly through building and loan associations. Institutions in some states cannot take advantage of it, because the aggregate interest, commissions, bonus, and other charges are limited to the legal interest rate in the state.

The way has been opened by which federal credit can be obtained on a large scale for the financing of rebuilding of slums.

Regional Business Promotion THE committees of bankers and industrialists in each federal reserve district are doing good work, quietly and under cover. They are being pushed hard from Washington. The word is being passed out that unusual effort must be put forth this fall and early winter to establish the beginnings of trade revival and confidence, even with credit risks in some cases. It is being said that a few bad loans will be cheaper in the long run than the price of further depression, dragging in its train more government supporting loans, more relief obligations, etc.

Railroads RAILROADS are in a bad way, of course, until traffic picks up. Traffic has picked up with crop moving, and Washington expectations are that revenue freight will be "less unsatisfactory" in the next month or two.

Railroad repair and maintenance are being stimulated with government loans. This seems a wise policy, because it pushes forward into these bad times the deferred maintenance items which otherwise would come later, and cost more. It is a means of filling in the bottom of the depression, and is more economically justifiable than many forms of public works, such as unneeded public buildings.

Chatter THE President recently has been taking an interest in a program for revision of the antitrust laws.

—There's considerable new interest in the domestic allotment plan of segregating exportable surpluses of farm crops and raising the price of the domestic portion, making the tariff work inversely.

—If Mr. Roosevelt is elected, there will be the equivalent of a coalition government next winter.

—Remember that next winter's Congress is the same old Congress, without the new members elected this November.

—Dictatorship talk is heard in financial circles. It isn't taken seriously in Washington.

—There's a movement for a new national party, based on the idea of "doing things vigorously," getting organized now, putting a candidate into the field in 1936. It aims to draw from both conservative and liberal or radical quarters.

—Freight car loadings are no longer as good an index of business as they once were. New surveys disclose larger-and-larger share of traffic going by truck.

—Department of Commerce is now charging for services formerly performed free to business groups.

—Ought to be especially interested in the air-conditioning, air-cooling industry. Looks as if it would be the next "new industry," like radio of recent past.

—Seems as if American business, bad as it is, would attract foreign capital in substantial volume during the next year. Seems as if the capital which was scared out late last year would soon be coming back. The U. S. may not be so prosperous, but where in this world is a better 'ole?

—Note how many new men, new faces, new personalities, are arising in the business world as leaders or potential leaders. Note how old headline names have disappeared. It always happens toward the tail end of a depression.

—Financial statisticians tell us that a crop of new fortunes always is made on the up-side of a depression. This is one phase of the redistribution of wealth which follows an economic earthquake.

—Government salary reductions now make it possible in Washington to get a shine for five cents, a wedge of pie for five cents, a haircut for 35 cents, a dollar dinner for 75 cents. Rents have been reduced on the sly. Washington is feeling the pinch.

—Electric power companies must face a renewed fight next winter to shift the power tax from consumers to companies.

—Whispers are that some big tax evasions among stock speculators are being discovered by the Senate stock market investigating committee.

—More government regulation of trade and industry, not less, is in the cards for the next few years. This will go along with relaxation of the antitrust laws.

—Surely bigger business units or associations, particularly for export, will be forced by the competition of communistic Russia and socialistic Germany, where the Government is such a large owner of the equity in numerous "private" industries.

—The idea of national economic planning is not making a great deal of visible progress. Business leaders talk about it, then see the difficulties and drop it. If it comes, it will have to be forced by political influences.

—We hear these days that many state supported colleges and universities are getting the axe. There has been a good deal of duplication, and perhaps too much fancy technical education, too little fundamental stuff.

—See how the magazines of iconoclasm and controversy are steaming along, advertising or no advertising.

Yours very truly,

Wm. F. Springer

What's the Future of Advertising?

By EARNEST ELMO CALKINS

Of Calkins and Holden, Advertising Agency

ILLUSTRATIONS BY D'ARCY

WHAT'S ahead? The question is on every lip. What's ahead for retailing? What's ahead for railroads? With these questions NATION'S BUSINESS has dealt. What's ahead for advertising? Here are some possible answers by a man long the head of an influential agency

CHANGES are remodeling the business world. As we swing around the circle from customer to retailer, to middleman, to manufacturer, to raw material sources, noting their dependent professions and trades—advertising, law, engineering, transportation, banking—and through millions of their employees back to the consuming public again, we find changes, forced and voluntary, not only curtailments and adjustments, but new methods, experiments, innovations. Business is learning painfully and reluctantly, and far too slowly, but learning, nevertheless, to function in a new and different world. If we learn our lesson and act on it, it will be a better world industrially, for the mass of mankind at least, but in any case not all the king's horses and all the king's men can put Humpty-Dumpty back on the wall.

What then of the advertising agency? It may be called a parasite industry because it cannot exist without a host—a world of manufacturing and selling going on around it; its fortunes are bound up with those of business. This is to question neither its importance nor its necessity, but it means that the advertising agency is being exposed to double jeopardy. It must undergo not only its own individual readjustments caused by shrinking volume, but it also must reckon with the changes in the business world to which it caters. The probability is that the conduct of an advertising agency will be as profoundly affected by the economic crisis as any other line of gainful



endeavor. During the fat years between the Armistice and the Great Crash the agencies created and perfected a remarkable service to care for the needs of manufacturers who were advertisers.

Agencies established research departments staffed by economists and psychologists and studied every phase of the markets and every angle of the consumer. They developed artists and made their services available for the designing of packages and the styling of goods as well as for the illustration of advertisements. They studied selling, conducted sales meetings, dramatized selling talk, drilled salesmen, and originated sales strategies. They planned, designed, decorated and landscaped shops, factories, offices, salesrooms and filling stations. They penetrated the factory, redesigned old products and created new ones. They dressed windows, invented publicity stunts and staged conventions.

All helps to selling

AT least one agency has a bureau for collecting and coordinating fashion forecasts for the benefit of its clients, both manufacturers and retailers, a department which is actually an extension of advertising service into fresh fields and new pastures, but which logically belongs with the advertising and contributes materially to the sale of goods.

Many of these things could be charged for and were, but largely they were used as perquisites to win and hold the big accounts. They improved the agent's presentation but added to his cost of doing business. The modern agency became a department store where pretty nearly everything pertaining to the making, packaging, merchandising, distributing, advertising and selling of goods could be had on demand.

When radio began to assume the

proportions of a major advertising medium the agencies promptly prepared to handle it. So prompt and thorough were their preparations that movements to establish separate agencies exclusively devoted to this field were forestalled and discouraged. The radio departments of full-grown agencies gave equal service and were in a position to tie broadcasting in with other advertising activities. Even a small agency had its radio department with a manager and one or two assistants, while the larger ones had complete staffs, executives, contact men and continuity writers, audition chambers, and all the paraphernalia the peculiar technique of this new medium requires.

Curtailement hurts organization

THAT was the state of the advertising agencies when the industrial world began to slip. It was not long before concerns organized to deal with appropriations in units of millions faced the problem of paying their way on commission from thousands.

To cut down meant destroying an organization which had taken years to build. These new organizations are headed by experts, specialists who cannot be replaced, technicians, men taken over from art, science, literature, engineering or chemistry, to contribute to the needs of business. Such men are not interchangeable. To dismember these departments and bring the agency down to pre-war service conditions would be like unrigging a ship model. The whole original process would have to be gone through with to put it together again.

What are the agencies going to do with these men, facilities and services which have been brought to a high degree of efficiency in a field in which advertising is but one factor? That's a question the agency has been asking itself.

The effect of waning volume has been stimulating. Never has there been such a strenuous pursuit of new business. The few accounts that still remain active have been subjected to a barrage of solicitation. Even in the big agencies a hundred thousand dollar appropriation causes as great a furore as a million did three years ago. The smallest potential advertiser can have his story listened to. The code of ethics established so painfully and precariously has begun to crack. Agencies of previous high reputation have not hesitated to undermine competitors' choicest accounts. The integrity of the commission has been

unable to withstand the strain. Probably few large accounts today are paying 15 per cent.

The advertiser is taking fullest advantage of a buyer's market and is hammering down costs, not only of agency service but of space. The shrunken volume of advertising is shown in the thinness of magazines and newspapers. A group of large spenders of advertising money called magazine representatives together at a town meeting and pronounced their ultimatum. They would buy space this year only

in publications that accepted drastic cuts. Rate cards had no meaning. They would make their own rates. The magazines could take them or leave them. Some left them, but a good many took them. The cost of agency service and white space, like other commodities, has had to come down.

The situation was not helped by the intrusion of the radio, a new medium with its own peculiar problems. While radio is satisfactory to advertising agents as far as profits are concerned, the old-established mediums suffer from the competition. The dwindling volume of appropriations is further subdivided to take care of this new claimant and it is perhaps receiving a larger share than it will when the novelty wears off and time has tested its brass tacks value as a means of selling goods. For radio is to most advertisers the realization of their secret dreams. They have long wanted to talk directly to the whole nation. The slow process of preparing advertisements and waiting weeks for them to appear in magazines, or even days for newspapers, does not give them the exhilarating feeling of getting at the public.

Direct approach wanted

MOST advertisers suffer from the complex of that king who wished that his people had but one neck that he might sever it at a blow. They want to reach their possible customers more directly, and radio gives them a feeling of power which outweighs many limitations and drawbacks that must some day be more accurately appraised. But irrespective of what relative value is finally assigned to radio as an advertising medium, it will assuredly remain one to be reckoned with.

It is imperative then that advertising agents should consider where they are going. The obvious thing is to step in and preempt the larger field, the one for which some at least have been fitting themselves, the whole broad field of the production and distribution of goods. Here advertising will always have a role, but it is not and will not be the whole show.

The steady urge of experience drove advertising agents into selling. It was found imperative to know selling to do advertising. For the same reason that more subtle function, merchandising, which is neither advertising nor selling, has bulked larger in the work of progressive and far-sighted agents. A famous doctor once told Ralph Holden:

"I am a specialist in skin diseases,



MR. CALKINS suggests that the advertising (or merchandising) agency of the future may be paid for results. Just now "Editor and Publisher" reports that one chain is seeking to pay for newspaper space with a percentage of the local unit's gross business. A prophecy today may be fulfilled or made foolish almost before the prophet's mouth is closed

but to treat the skin properly I must know all about everything inside of it."

To do advertising successfully the advertising man must know production, distribution, merchandising, selling, packaging and styling goods, the whole business chain. Some have learned their lesson, consolidated their experience and are equipped to take over the bigger job. What they will be called time will show. Not "advertising agents," it is to be hoped. That name, like too much of the old advertising terminology, has always been inadequate. It is obscure, clumsy and illogical. It no more describes the service of a competent modern agency than "haberdasher" describes Macy's.

"Merchandising agencies"

WALTER HOVING, formerly vice president and merchandising manager of R. H. Macy & Co., New York, and now vice president and general sales manager of Montgomery Ward & Co., Chicago, speaking before the American Association of Advertising Agents at Washington, made this prophecy:

Ten years from now . . . there will be no advertising agencies. In their place we will see merchandising agencies. These merchandising agencies will have departments of advertising. They will have sales promotion departments. They will have style forecasting departments. They will have research departments, as many of you now have. They will have departments of commercial designing.

A few agents might answer Mr. Hoving (in fact one did) that they already have merchandising and research and styling departments, but the point Mr. Hoving really makes should be underlined. *There will be no advertising agencies.* Not if the agents see the great field of gainful endeavor that spreads before them, and use that vast machinery they have set up, and alter and revise and modify it to meet new and changing conditions.

Hitherto, as far as the agents were concerned, the industrial world has been divided into two parts, advertisers present or potential and the remainder of business beyond the scope of agency service because advertising could not be a major influence. In the future the various services outside straight advertising which have hitherto been employed only for clients who were also advertisers can be made available for the whole fabric of industry.

This new race of business begetters which advertising agents might become will stand farther back and get a clearer vision of businesses they propose to



Even a small agency has a radio department. The large ones have complete staffs with all the paraphernalia the new medium requires

promote. They will see business as a whole, instead of merely as advertising possibilities. They will be able to work for steel, coal, wheat, cotton, basic products with major distribution problems, not in some petty minor capacity, but broadly.

Advertising may not be the solution. It sometimes is not with many lines. Or advertising may be remote, and merchandising, styling or research problems foremost. There is enough experience among advertising men today to have saved the government the embarrassment and financial loss of attempting to peg the price of wheat. A fraction of the money given to the Farm Board, if spent for merchandising brains, might well have increased the market for wheat.

Fees may replace commissions

MANY great undertakings that need the help agencies can give are warned off the premises by the sign "Advertising Agent," which limits the service offered to one narrow phase of distribution.

The future of advertising agencies can hardly be discussed without a glance at least at the method of remuneration.

The commission system has been under fire from the beginning. It has now broken down under the stress of competition. In spite of faults and certain inconsistencies it is still the best method as long as the agent's product consists wholly of advertising. But when advertising is only one department of a much broader service, some new basis seems inevitable.

By the commission system owners of advertising mediums pay agents 15 per cent of the total cost of space bought for the agent's clients. The agent is supposed, and in some cases bound by contract, not to rebate any of that commission to his clients. Apparently the agent's pay comes from the mediums and not from his clients, and that is one of the inconsistencies though not the most serious one. The evolution of this method and the sound reasons behind it are too long and detailed to give here. The commission did not start at 15 per cent. In the beginning it was as much as the traffic would bear, sometimes as high as 50 per cent in the old days when prospective advertisers did not often know even the names of cities that had newspapers. Finally ten per cent was tacitly agreed upon rather as a starting

(Continued on page 56)

Business Leadership Wars

Your Debt and Mine

By **ALFRED P. SLOAN**

Chairman of the Board, General Motors Corporation



RUNNING our government is essentially the same as running a home or any business. We have all found that, if we spend more than our income, we must borrow the difference. That policy always gets us into difficulties if we carry it to extremes. Just so with the Government.

Like most of us ordinary citizens, the Government has no reserve to fall back on. The only practical way

for the Government to get the billions of dollars that are talked about so easily in Washington for relief, new construction, bonuses, and so on is to borrow. Generations of careful saving will be required to pay what the Government now owes.

Every dollar of government income comes out of your pocket and mine. Every dollar of government debt is your debt and mine.

These enormous national resources they talk about are simply our homes, our farms, our factories, stores, mines and railroads. When the nation's resources are dissipated in government waste, the loss is yours and mine. Our property is depreciated.

The Government must stop waste, cut out every dollar of unnecessary expenditure. Until that is accomplished, there is very little foundation on which we have hopes for a business recovery.

First Aid to Recovery

By **E. A. CUDAHY, JR.**

President, The Cudahy Packing Company

I AM certain that we have confidence in our country. Down deep in our hearts we feel that we will survive this crisis. But each of us must do his share to bring back better times.

One of our most important obligations now is to end extravagance in governmental affairs. It is necessary as a first aid to business recovery, to industry, to labor, and to agriculture, that the billions of dollars now wasted by federal, state and city government be used in reopening our factories, putting our unemployed back to work, and reviving our agriculture.

Congress has balanced the budget by levying \$1,100,000,000 of additional taxes. My thought is that this



BLANK & STOLLER

is merely a paper balance. The end of 1933 will see the Federal Government with another, although smaller, deficit than the \$2,700,000,000 of 1932.

Everyone who has a vote should demand that candidates for each and every office run on an economy program. Let us demand that the cost of government be readjusted on a sane basis. The voter should let each candidate know that only that platform will succeed.

Our Country Needs Us

By **JAMES F. BELL**

President, General Mills, Inc.

I AM ready to answer the indictment that I haven't been properly discharging my national obligations. I indict you on the same charge. Our country needs you and me as it never has needed us before.

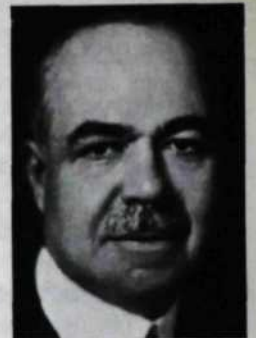
It is our duty to know what the Government should do and what it shouldn't do; to know how much government is costing and to see that it does not spend too much money.

Back in 1913, government used to meet us on pay day and extract eight cents out of every dollar we had earned. By 1929, it was taking 15 cents of every dollar. Now, in 1932, the Government takes more than 30 cents of every dollar.

That is a pretty stiff price. I don't believe we can carry on properly with the remaining 70 cents. Ten per cent of the nation's earnings for the cost of government is enough.

Congress had to balance the budget. That was right. But it did it by increasing taxes, not by making economies. That was wrong.

What can we do? We are the men on the street. At least we have a vote. If we use that vote in the right way, we have a tremendous power. The thing to do is to write our representatives in Congress and tell them that if they want our vote they must cut expenses. Let them understand that we mean business.



BLANK & STOLLER

We Have Neglected Our Duty

By **CLARENCE FRANCIS**

Executive Vice President, General Foods Corporation

ONE billion dollars saved in government expenses and released for use in industry will help greatly to revive confidence and start recovery. The time has come when, as citizens, we should demand that our representatives in our local, state and federal bodies reduce expenses.

If the only voices heard by our business agents in government are those of the organized minority, and even the

On Government Waste



ALL OF US are inclined to think of government as a complicated process unrelated to our own every day problems. These six business leaders have found, however, that the red ink on business ledgers is due to the red ink on the Government's ledgers. They are ready to admit that the dangerous situation which now confronts them—and everyone of us—is partly their own fault, just as it is partly your fault and mine. They are already working to correct the situation that has resulted but they need your help. Are you ready to give it?

louder ones of selfish interests, it is time that the majority asserted itself.

Do you know the names of your congressmen and senators? You should. Learn who they are, and your state and local lawmakers, too. Write, wire or telephone them that you expect them to reduce governmental expenses. Do that and do it now.

If this sounds critical, let me emphasize that my complaint is aimed primarily at each and every one of us as citizens. We have been derelict in our duty. Government by expenditures—government by borrowing—government by selfish interests—government by organized minority must cease.



BLANK & STOLLER

A Test For Candidates

By CHARLES S. DEWEY

Vice President, Colgate-Palmolive-Peet Company

THE way to get economical government in Washington is to change our motives in electing congressmen and senators.

Some candidates will appeal to local greed and pride. They will promise new government buildings. They will support class privilege. They will look for your vote solely on the basis of selfish gain for you. If they are elected on that basis,



UNDERWOOD & UNDERWOOD

and make good on their promises, this country is going to be in worse shape than it has ever been.

Some congressmen and senators will ask for reelection on a clear record of having tried to keep down government extravagances. They will promise to guard the Treasury from looting by special privilege. They will promise to follow the honest policy of keeping government costs

on a level with government income derived from taxes that we are able to pay. If we elect this kind of congressmen and senators, the country will be free to enter upon a period of renewed prosperity.

If we are good citizens we will refuse to vote for those

who seek to buy our votes with promises of personal or sectional gain or who point with pride to successful raids on the Treasury.

We will vote instead for men pledged to win this war against economic dangers by conducting the Government in accordance with sound principles of honest business—paying our bills out of income and reducing the cost of government to a reasonable level.

The responsibility is ours. If we want good government, let us vote for men who will give it to us.

Now is the Time To Act

By R. R. DEUPREE

President, The Procter and Gamble Company

DON'T suppose there is a single family which has not already gotten together and held a quiet, serious talk leading to this conclusion:

"We can't do the things we did last year, because we haven't the money to spend."

Have public officials echoed our own conclusions by saying that? They have not, at least in a sufficient degree.



NICHOLAS BORIS

The reckless, spendthrift attitude of government cannot go on. You know what you earn and what you spend and what you must do to live within your income. Yet your government, which spends infinitely more and so should be infinitely more careful, today is like an extravagant youngster with a book full of blank checks, heedlessly drawing one check after another with no thought of his bank balance or the necessity of making new deposits if he would remain solvent.

A drastic reduction in the less necessary expenses of all units of government is the only protection against further taxes.

The risks of sitting idle and waiting for government itself to apply the brakes are too great to be taken. It is time for seventy million voters to show fight. Now is the time to speak out for economy and practical common sense in government. It is the right and duty of every citizen. They should do it.

No Business Can Escape Change

★ **CRIES** are often heard today for a moratorium on invention. But they are vain cries. Man ever has sought newer and better ways of accomplishing his ends, has felt a ceaseless spur to improve and perfect. It is an urge which will brook no halt

•
BRICK and tile manufacturers are promised lower costs, higher quality by new equipment for de-airing clay. The process is said to give increased strength, eliminate surface blisters, reduce dryer losses, make inferior clays workable. . . .

•
A **NEW** chemical treatment is said to render bituminous coal smokeless, dustless, clinkerless, sootless. Coal so treated, it is claimed, yields more heat units per dollar than coke. . . .

•
ICE, machine-cut and packaged, is being marketed in the West. Insulated, brine-cooled trucks of special design have been developed for delivery of the wrapped blocks. . . .

•
AUTOMOBILE supplies are brought under the motorist's eye by a new steel and aluminum showcase, placed on filling station islands alongside gasoline pumps. . . .

•
A **PENCIL** for marking retail prices on Cellophane-wrapped goods has been developed. It is offered in five colors. . . .

•
A **NEW** composition is used in the liner of a recently developed fluid hose. It is said to have almost unlimited resistance to oils, gasoline, and even hot turpentine. . . .

•
A **NEW** gasket is made of sheet steel with especially treated asbestos firmly anchored to each side. . . .

•
UNAFFECTED even by hot oil, a new gasket compound is also said to be immune to dilute acids and dilute alkaline solutions. It is flexible, practically incompressible. . . .

•
A **NEW** acoustical material is made of inorganic matter. It is said to be incombustible, easy to erect, and to possess exceptionally high sound absorption qualities. . . .

•
FACTORY-fabricated, a new metal, insulated cottage is shipped ready for quick assembly on the building site. . . .

•
A **NEW** window unit for commercial buildings or jails is proof against escape, burglars, weather. Concealed bars pivot its sashes, it is cleaned, screened from inside. . . .

•
A **NEW** improved enameling iron has been developed. It is said to have exceptional bonding qualities, reducing imperfections and giving greater resistance to chipping and flaking. . . .

•
A **NEW** spray booth minimizes fire and explosion hazards. Pigment, dust and other combustible matter is washed from the air before reaching the exhaust fan. . . .

•
WELDING of high-speed rotating machinery and high-pressure boilers is said to be made safe by new chemical coatings for the weld metal which assures its ductility. . . .

•
FERROUS or non-ferrous metal is cut by a new high-speed cutter which uses either an abrasive wheel or steel saw. Cuts are said to be made in a few seconds. . . .

•
A **NEW** small autographic register weighs only two and one-half pounds, can be carried easily, permits making of original entry records right on the job. . . .

•
BOOK covers, stenographers' cuffs can now be had in transparent, washable celluloid, bound in imitation leather. . . .

•
THE old home coffee grinder is back, electrified. Its glass hopper holds a pound of coffee beans, a turn of its switch drops ground coffee into a graduated glass container. . . .

•
HOSIERY makers are bringing out non-run silk hose for milady. Each stitch is locked. Another new stocking has a crepe-like texture in which runs, if any, go only upward. . . .

•
SAFETY gasoline, announced a year ago here, is now available commercially. Non-inflammable, matches can be put out by immersing them in it. Engines must be adjusted to take it. . . .

•
A **NEW** lubricant deposits metal on bearing surfaces, keeps this wear-absorbing plating at constant level. White, it stays so even in use. . . .

•
HOME movies at reduced cost are offered by a new small camera which on a given length of film successfully records four times the ordinary number of images. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on items mentioned here, which are of interest in connection with your own business, can be had by writing us.

Stalking the Fickle Consumer

By RAYMOND WILLOUGHBY

Of the Staff of NATION'S BUSINESS

ILLUSTRATIONS BY DON MILLAR

WHILE the sound and fury emanating from campaign platforms advertises that depression has not dampened the volume or vigor of partisan oratory it is worth while for business to remember that the market franchise is exercised in season and out by that powerful, if capricious, voter, Ultimate Consumer. Every day is election day with him. By his ballot he decides the fate of products and services, of fashions and fads. He is the original source of all profits and dividends.

Whether the consumer does not know his commercial candidates, or whether the candidates do not know him is still a moot question among merchandising counsellors. For the most part, business is no farther along than recognizing the consumer as the gentleman made famous in the song, "I Want What I Want When I Want It." How to get some advance notice of these wants is the riddle before campaign managers of the suppliers. The only certainty is the consumer's reputation for consumption.

As the old saying has it, once a consumer always a consumer. No one has to be a producer if he can get along without producing. No one need be a distributor if he doesn't want to distribute. But everybody must consume if he cares to be included among the going concerns. That fact is at once the comfort and the confusion of the business community.

For if there is something of a market certitude in the persistence of human appetites and desires, there is also the immediate qualification of the changing nature and scope of the diversified "demands," which, taken in the aggregate,



The hand that rings the cash register rules the world of business

EVERY day is election day for business with the customer casting the ballot which means defeat for some products and victory for others. Straw votes have indicated how this voter may be expected to act but, unfortunately, he doesn't always act that way

gate, constitute the American standard of living. In a very real sense the hand that rings the cash register rules the world of business. Recognition of this fact is causing trade and industry to regard buying habits with intensive interest.

How to gauge the wants and whims of the consumer is a problem which is perplexing manufacturers and merchandisers alike. The active interest of the business community in the volume and variety of "demand" is reflected in the importance assigned to consumption studies by the Domestic Distribution Department of the National Chamber. Throughout the next 12

months an effort will be made to integrate the individual plans which have been or are being formulated to determine the consumer's way with his dollars.

The average changes

OF course, a good deal is known about the consumer's likes and dislikes. The trouble is that he has a perverse way of diverging from the "norm." It is one thing to observe him in a table of statistics, and another to stalk him in the flesh. The idea, as Don Marquis phrased it, is that the average man is better than the average. You can compress the consumer's dollar into a mold of figures, and slice out percentages for this and that, but the very next survey will prove that the consumer you thought you knew so well is really some other fellow.

The curiosity of manufacturers, wholesalers, and retailers gets down to something like this:

What does the consumer want, and why does he want it? Where do specific expenditures stand in his budget with respect to other expenditures? Where does he buy, and in what quantities? What does he do about the insistent question of food, shelter, fuel, and clothing? What are his luxury items? In short, why does he behave like a consumer?

The constants in this quest for information are few, the variables many. Granted that the desires of mankind are infinite, it becomes readily apparent, for example, that the human stomach is only slightly extensible. That fact is an implication of first importance to the food industry. Shifts in food preferences may be accomplished through advertising, but getting a new product on the consumer's table or putting an old

one in greater favor does not mean enlarged consumption. It means, rather, that some competitor is facing a downward revision of preference.

Every merchant probably knows that the preferences of his customers are subject to change without notice. Just as likely, he would find himself hard put to tell where and why these changes take place. Professor Paul Nystrom of Columbia University has made it his job to look into influences which are modifying consumer taste, and he sees them something like this:

The population is increasing at the rate of 1.5 per cent a year—that is, the national market is expanded by the simple addition of mouths to fill and backs to cover. Of course, all communities do not share equally in this gain. Some have actually declined in numbers. Moreover, the current growth of population is confined chiefly to cities, indicating a market dominance of urban tastes.

The national immigration policy is another factor. Continued restriction means a more stable population with consumption trends largely determined by American standards of living. As for the declining birth rate, it clearly suggests a contraction of markets for children's goods and infants' wear. And a declining death rate obviously signifies a lengthening span of life for more peo-

ple, and these older people are not so willing to accept new things. They do not care to make changes for the mere love of change. The higher the general age level of the entire population, the more orthodox the public taste.

Changes in household goods

A DECREASE in the number of home owners and a consequent increase in the number of renters operate toward revision of consumer demand, as does a rise in apartment house tenancy. Where there is a tendency to move, there is little occasion to acquire the equipment required for the maintenance of individually owned and occupied property. However, the fickle tenant increases the replacement market because of the wear and tear of changes of abode. Important in this respect is the shrinkage in the average size of housekeeping space, with its immediate effect on the size of household equipment and storage space.

While this revision of domestic housing has gone forward, the housewife herself has proclaimed her emancipation from sewing, laundering, baking, and cooking—and her new freedom has made profitable opportunities for many service industries, as well as household suppliers. The depression has checked the rate at which this external depen-

dency has advanced, as evidenced by the volume sales of dress patterns and yard goods, and the troubles of large-scale restaurant operators.

A former editor of a woman's magazine, Mrs. Christine Frederick, is convinced that the problems of Mrs. Consumer must be solved in the light of these social changes:

Trends toward smaller homes, simpler food and cooking standards with fewer courses, smaller portions, emphasis on style and service rather than on food itself; fewer servants, 98 per cent of housewives doing their own work, make for simplified mechanized housekeeping with electrical appliances replacing manual labor; 11,000,000 women out of the home and working in industries make for a new hand-to-mouth class of consumers who demand radical changes and distribution methods, design of equipment, packaging of foods.

The retailer, this observer warns, must constantly revalue Mrs. Consumer and relate his goods to her needs as those needs change from age to age. In the last ten years about 8,000,000 new Mrs. Consumers entered the buying field. They present a new problem, and Mrs. Frederick defines it thus:

I started housekeeping in 1907. My daughter now in the university may start in 1937. She will bear little or no relation to the past, and her housekeeping will not duplicate mine. She will have an entirely new outlook even on her same problems. She will be influenced by entirely new appeals. I could not in 1907 have bought a dress of rayon, an automobile, a radio or an avocado pear. She may in 1937 be able to buy a dress of synthetic shavings, a three-engine sport model airplane, a television set or a sandwich paste of potted palmhearts. Who knows? That is, Mrs. Consumer has to be constantly revaluated, her needs studied and the "trend" and appeals for her particular decade carefully studied. For my mother it would have been "quality and lasting wear." For my daughter it will be "snappy," "smart" and "full of pep."

"Taste" still helps sell

NOW, it could be readily shown that the American standard of living was on the upgrade from 1914 through 1928. The good things of life were produced in amazing variety and quantity, and few questioned whether they could afford them. Travel, amusement, well-being seemed stable parts of the national heritage.

How profoundly the depression has affected the state of the consumer mind, every merchandiser well knows. Yet it is equally true that the spree of spending did not pass without its guide marks for the future. Those who have eyes to see can readily perceive that "taste" is no longer the prerogative of a small



She may, in 1937, be able to buy a dress of synthetic shavings, a sport model airplane, a television set or potted palm hearts

group of consumers, style and finish are as decisive in goods at five and ten cents as in wares at \$10 and \$100.

The schools, the movies, newspapers, magazines, books, the radio, and travel all have contributed to the significance of fashion in modern life.

The potential of consumption takes some definition from the elementary fact that every individual is a consumer. But where the consumer expresses this phase of his economic existence is not so easy. For one thing, he doesn't stay put. By the 1930 census, 56.2 per cent of the total United States population of 122,775,046 lived in cities. Ten years earlier the figures showed 51.4 per cent in urban community centers.

But towns are not rural

THE fact that the 1930 "rural" figure includes people living in incorporated places up to 2,500 population immediately modifies any notion that 53,820,000 Americans are living on farms. As every commercial traveler knows, the sophistication of the modern small town cannot be measured by population alone and, as for the mythical division in town and country tastes, the farmer and his family are showing themselves more and more receptive to urban ideas.

It is worth while to take another measure of the city dwellers. In 1930 some 12.3 per cent of the country's entire population lived in cities of 1,000,000 or more inhabitants; 4.7 per cent in centers of 500,000 to 1,000,000; 6.5 per cent in towns of 250,000 to 500,000; 6.1 per cent in places of 100,000 to 250,000; 5.3 per cent in places of 50,000 to 100,000; 5.2 per cent in towns of 25,000 to 50,000; 7.4 per cent in centers of 10,000 to 25,000; 4.8 per cent in towns of 5,000 to 10,000; and 3.8 per cent in places of 2,500 to 5,000. Putting it another way, in 1930, ninety-three cities had 100,000 or more residents and constituted about 30 per cent of the total population. These concentrations of people hold meanings for the advertiser and merchandiser who wish to focus sales efforts on densities.

The puzzle is not so much to see who belongs in what city directory, but to classify and catalog the consumer's quirks, and then to find whether the individual receptivity provides a pattern dependable enough to guide the producer and the distributor in making business commitments. Once it was the fashion to regard the United States as a unit market. Perception that the national domain is much greater in area than Europe, excluding Russia, will at once suggest distinctive variations in in-

dividual viewpoints throughout the country.

The American consumer cannot be measured in terms of national *per capita* consumption, worked out to the second decimal place, as is sometimes attempted, a representative of the Domestic Regional Division, Bureau of Foreign and Domestic Commerce, pointed out.



There are still a few successful harness manufacturers

Selecting the state of Montana to illustrate the necessity for studying the differences in the domestic market just as foreign markets are studied, he said:

Montana with a population of 538,000 is spread over an area of approximately 146,000 square miles. As in practically all other western states, small cities and towns command trading areas larger than the states of Connecticut, Massachusetts, or New Jersey. Since people travel greater distances for shopping, they buy less frequently and generally purchase in larger units than a city population. As these towns serve limited populations, many types of specialty stores such as delicatessens, book stores, haberdasheries, and exclusive shoe stores for men and women, are practically unknown.

In these sparsely settled areas the social habits of the people, which greatly affect the kinds of goods demanded, differ greatly from those of a city population. Large numbers of these people have no contact with the theater, the country club, art galleries, and many other cultural and social organizations. This fact has a great deal to do with consumer tendencies in food and clothing. Standards of entertainment are different. The market for formal dress wear or fancy foodstuffs is light and a million dollars spent in advertising and sales promotion would hardly make this population caviar-conscious.

It is virtually impossible to serve this

scattered population with such perishable items as bread, ice cream, and fresh fruits and vegetables; the service industries, such as laundry and dry cleaning establishments, can scarcely be expected to reach a large part of the population, and the cost of supplying electric service and natural or artificial gas is in many instances prohibitive. Most of the American markets offer similarly striking peculiarities and must be studied individually if efficient marketing is to be attained.

When it was observed that approximately 11 per cent of the individuals in the New York shopping area, for instance, were paying income taxes on income of more than \$5,000, it was clear that the affluent minority could not buy all the things produced. The other 89 per cent, with incomes below \$5,000 had the decisive majority of the purchasing power and bought the vast majority of the articles offered for sale.

Customers have kindred wants

WHATEVER the income level on which the consumer expresses his appetites and tastes, he bears a strong family resemblance to all other members of his tribe. Examination shows us, first of all, says Edward Bernays, that as an individual he is subject to all of the psychological factors that mortal man is heir to. Psychologists—experimental and psychoanalytical—have revealed this man to us. He is subject to primitive and to acquired desires and wants. Different social strata, different races and religions and other lines of group association have modified his primitive desires somewhat. His physical and thinking habits vary as do his standards of living. His likes and dislikes vary. But fundamentally he is the same. He has deeply rooted primitive instincts and desires.

What these desires mean to the business community was officially revealed in 1930 by the first census of retail distribution. By report of the Census Bureau, each retail store in the United States in 1929 divided with 1,549,167 other stores approximately \$50,000,000 of retail business annually. In addition to the total trade passing through retail stores, \$3,000,000,000 was reported by manufacturers and other producers as direct sales to consumers, making a grand total of \$53,000,000,000, nearly two-thirds of the unofficially estimated total annual income of the country from all sources, and five times the value of the average farm crop.

The average retail store, if such a thing exists, supplied an average of 79.4 persons purchasing \$407.52 each during the year for a total of \$32,297

(Continued on page 35)

The Banker's Dual Position

By ROBERT V. FLEMING

President, The Riggs National Bank of Washington

THE position of the banker today is an unenviable one, because it is impossible for him to please everyone and to do everything he is asked to do. Unfortunately in this period of trouble, where there has been such a great deflation in values and a drop in commodity prices, it has become the custom to damn the banks and the bankers both for what they do and for what they do not do.

One man declares that a bank is frozen because it has loaned too much money. Another tells you that banks are unreasonably liquid because they have reduced loans and refused credit to worth while borrowers. And the one who criticizes a bank for its too liberal policy may sometimes be the same man who cries out against the banker as the real hoarder.

No pleasing every one

THIS apparent anomaly is more easily understood if we bear in mind that every man is really two men in his attitude toward banks. He is both a depositor and a borrower either directly or indirectly. As far as one's own deposits are concerned, a bank cannot be too liquid. The more nearly it approaches the state of a safe deposit box with the actual cash ready to be returned on demand the better the depositor would like it. Of course, he would like interest on his deposits also and he vaguely realizes that the bank could not pay interest on money that stands still. He does not realize the cost of overhead and the many services which banks have undertaken to assist the public, and which are not all confined to the acceptance of deposits and the payment of checks.

In the past ten or 15 years, banks have built up service departments for the convenience of the banking public. From these departments the banks derive no revenue, but they have accepted the increased overhead because the departments have greatly facilitated the handling of business throughout the country.

● FROM many sources NATION'S BUSINESS has received complaints that the bankers of the country are not playing ball, that they are refusing loans, or that they are not safeguarding depositors' money. We asked Mr. Fleming, a man noted for his many connections in public service work as well as his experience as a banker, to tell us what was what. Here is his view of the situation

I understand a great industrialist voiced the depositors' side of the case when he said recently:

The primary function of a bank is to provide a place of safe deposit and not to jeopardize this in any way.

On the other side of the case, every man, even if he is not obtaining direct credit from a bank, is eager that money should flow freely into the channels of business. He cannot buy a home if builders cannot get the banks to help in constructing the house. His wife cannot do a good job of shopping if the banks are not ready to help the department stores step into the open market with cash and take advantage of discounts. If he is a salaried man his job may depend on his employer's ability to obtain adequate credit.

So much for the depositors' and safety's side. Let me quote a paragraph from the *New York Times* of July 18 on the case against the banker as a hoarder:

For the large banks to keep cash equivalent to 60 per cent or more of their total deposits may be commendable under some conditions, but it is not helping the present situation in which there are borrowers who have a legitimate demand upon their bankers for temporary help, according to David Flynn, President of the First National Bank of Princeton, N. J., which numbered Woodrow Wilson among its depositors.

Mr. Flynn, of course, refers to "legitimate" demands for credit and it must be realized that commercial banks cannot supply credit for capital purposes without adequate security. In my own judgment, a great deal of the criticism against commercial bankers results from lack of understanding of the prop-

er functions of a commercial bank. It is not the function of a commercial bank to make loans which will put the banker in the position of a partner contributing his share of capital to the enterprise.

It is a difficult situation in which the banker finds himself right now—if he pursues a very liberal policy, he may be considered reckless and the public will become uneasy as to the safety of its deposits; if he does not lend, he is called a hoarder.

It must be remembered that the banker is dealing in money, a great proportion of which does not belong to his institution, because, although the banker employs the capital funds of the bank, representing money paid in by his stockholders, together with the accumulation of earnings, nevertheless a great proportion of the money he lends is that of the bank's depositors and his primary obligation is to see that their money has been safely loaned and a proper proportion always available when they desire it.

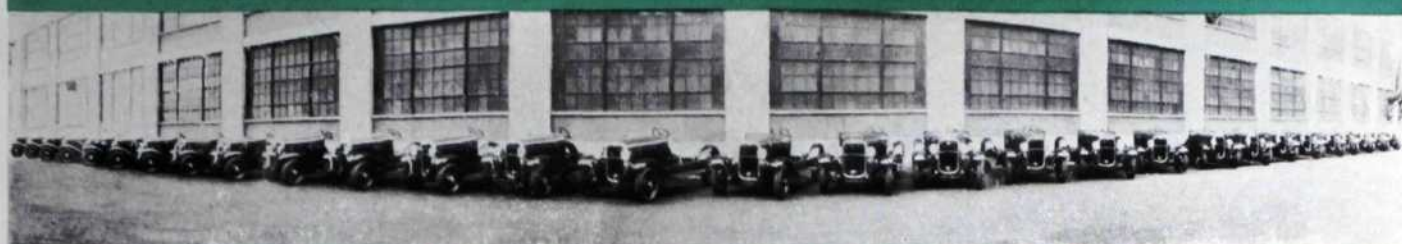
He is dealing in a most delicate thing—confidence and the faith of men in each other. If A comes to his bank and seeks to borrow money for the proper uses of his business and his loan is approved, it is the money of depositors B to Z that is loaned to him. So long as the depositors have faith in the bank and the community, the banker's task is not so uncertain. But let the depositors grow uneasy and the banker must inevitably be cautious about what proportion of the deposits shall be loaned, no matter how sound or well secured the loans may be.

In this country we do in a good



Photo of a fleet of Chevrolet panel deliveries doing daily service for the Iowa Soap Company, Burlington, Iowa.

Fleet of ten new Chevrolet trucks augmenting the equipment of the Independent Packing Co., St. Louis, Mo., subsidiary of Swift & Co.



Part of the group of 35 Chevrolet de luxe chassis recently purchased by Anheuser-Busch, Inc. St. Louis, Mo.

CUTTING COSTS FOR MANY FAMOUS FIRMS

Among America's leading fleet owners, Chevrolet trucks are rapidly replacing other makes of low-priced hauling equipment. Five reasons account for it. Their first cost is now as much as \$65 lower than before. They look better. Drivers prefer their six-cylinder smoothness and handling ease. Chevrolet service facilities are readily avail-

able all over the country. And, most important of all, these fast, powerful, sturdy trucks cost less to operate and maintain than do any other trucks on the market. If any of these advantages would help to clear up your hauling problem—see a Chevrolet dealer. He can show you *all* of them, in a truck built for your particular transportation needs.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN, Division of General Motors.

Chassis priced as low as **\$345**

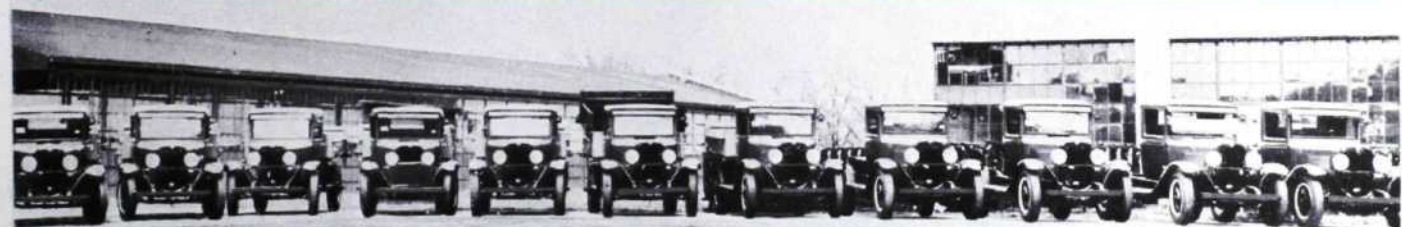
½-ton models with bodies as low as **\$460**

1½-ton models with bodies as low as **\$670**

All prices f. o. b. Flint, Michigan. Special equipment extra. Low delivered prices and easy G. M. A. C. terms.



840 school children daily ride to the centralized school at North Industry, Ohio, in these clean, comfortable Chevrolet school buses.



The State of Florida recently purchased this group of Chevrolets to speed up road construction work.



The C. W. Buckley Baking Company, New Britain, Conn., relies on these Chevrolets to deliver their bread on time.

CHEVROLET

SIX-CYLINDER TRUCKS

When visiting a CHEVROLET dealer please mention Nation's Business

Slam, bang and shove . . . day in, day out

and never pay a penny for frame repairs

No doubt you're too intent on other things to notice the thousand ways you battle with your chair each day. But just as the steady dripping of water wears out stone, so all the slams and shoves and swings, repeated countless times each day, wear out an ordinary chair frame, make it loosen and fall apart.

There's good reason why Chairs of Alcoa Aluminum stand up under such daily strain—why they maintain their strength unimpaired years after other chairs would have become wobbly and rickety.

For one thing, they're made of the strong alloys of Alcoa Aluminum—the same strong alloys that are used in dump trucks and aircraft. Then

too, each chair frame is welded into one continuous piece. It hasn't a single dowel or glued joint—nothing to work loose. Its joints are permanently-tight. That's why it can't run you up bills for frame repairs.

Being Alcoa Aluminum, these chairs are only half the weight of similar chairs of other materials.

Chairs of Alcoa Aluminum come in three natural aluminum finishes, or any other color; in any upholstery; in a wide range of designs for offices, hotels, restaurants, hospitals and homes. For literature, please address ALUMINUM COMPANY of AMERICA; 2425 Oliver Building, PITTSBURGH, PENNA.



Chairs of ALCOA ALUMINUM

year perhaps \$90,000,000,000 business on \$5,000,000,000 of cash. Most of our business is done on individual promises to pay or on individual orders to banks to pay. Looking at the depositor from the national standpoint, it is regrettable that in times such as we have been passing through, money goes into hiding in individual pockets and safe deposit boxes. This is the worst thing the people could do for their own good.

Business is partly to blame

CRITICISM of the banker for not lending also overlooks the fact that business is not borrowing as readily as it once did. Business, too, is suffering from a loss of confidence, a loss of confidence sometimes in its own power and ability to go ahead. By reason of this condition, bankers are not receiving the applications for loans from business houses which, in my judgment, they would welcome and which our banking system is so adequately equipped to handle with the cooperation of the Federal Reserve System.

In the busier days, the bulk of the money loaned by the large commercial banks goes to the customers who carry the largest deposits. These companies may still carry large deposits but they are not now taking large loans. Banks may have plenty of applications for loans, but those applications are not as

a rule coming from the industries and individuals who, in more normal times, are the chief borrowers. They are more speculative as a rule and would call for careful consideration under any circumstances. It is well to bear this fact in mind when anyone tells you that the banks are preventing business recovery by not lending money.

In the quotation I have made from the *New York Times*, occurs this phrase:

"Borrowers have a legitimate demand upon their bankers for temporary help."

If by "legitimate demand" is meant that bankers must lend indiscriminately, one must remember the primary function of commercial banks—the one "must" a banker knows is that he *must* give his depositors back their money when they ask for it.

I have no desire to make an indiscriminate defense of all bankers. Bankers are human. No doubt there are overcautious ones now as there were reckless ones in years past. But no one is more eager to promote business than the banker, no one is more willing to make proper loans, for it is only when general business thrives and borrows and spends and repays that the banker is satisfactorily taking care of his overhead costs and able to pay an adequate return to his stockholders on the money which they have invested in the capital of his institution.

Stalking the Fickle Consumer

(Continued from page 31).

average annual business. Thus the average sales per family (of three to five persons) ranged from \$1,250 to \$2,000 annually.

The purchases through retail stores varied widely from state to state, from a minimum of \$172 *per capita* in South Carolina to a maximum of \$575 in California and New York. These figures were based on a canvass of every city, town, and rural area in the United States, and reflect the retail business of the year 1929. They cover all stores, restaurants, filling stations, and other retail establishments, except strictly service businesses.

The figures, now severely modified by the depression, show that the average number of stores *per* 1,000 inhabitants in the several States varied from a minimum of 8.1 in Alabama to a maximum of 15 and more in California and other States, and the average sales *per* store ranged from \$19,827 in South Carolina

to \$39,715 in Michigan. While it is no doubt true that hard times have disturbed the magnitudes of some of the expenditures classified by the Census Bureau—some estimates putting the current volume down to \$30,000,000—the proportions in effect three years ago indicate the national standard of living in a period of general prosperity.

Conceding that what is one man's luxury is another man's necessity, so-called "luxury" articles constituted nearly a fifth of the total retail business. In 1929 the American people spent more than \$9,000,000,000 in stores selling automobiles, jewelry, radios, candy, flowers, soft drinks and similar articles.

Increased demand for articles other than necessities, coupled with what would seem to be overcrowding of stores in many areas, suggests another development in retailing.

With an ample number of stores and ready communications between shopping areas, the consumer rather than

STABILITY

that comes only with the years



The Detex Watchclock Corporation had its origin in the Newman Clock Company, organized in 1872. The present company dates from 1923, when the Newman Clock Company and the Eco Clock Company joined, and the Harding Watchclock Division was purchased.

The Newman Clock was the first watchman's clock made in America and the first to be approved by the National Board of Fire Underwriters, 30 years ago.

All Detex Clocks—Newman, Patrol, Alert and Eco have carried the label of the Underwriters' Laboratories, Inc., since the labeling system was put into effect, a quarter of a century ago. Users of these clocks have always been assured of service on repairs, supplies, relief clocks.

American business has approved of Detex policies and products—80,000 clocks in daily use, in more than 50,000 establishments, is the greatest test and proof of that.

Now, Detex Models have been improved by a new movement of surpassing design that will again increase the Reliability, Accuracy, and Continuity of Service that has always distinguished Detex Watchmen's Clocks.

Complete Information on Request

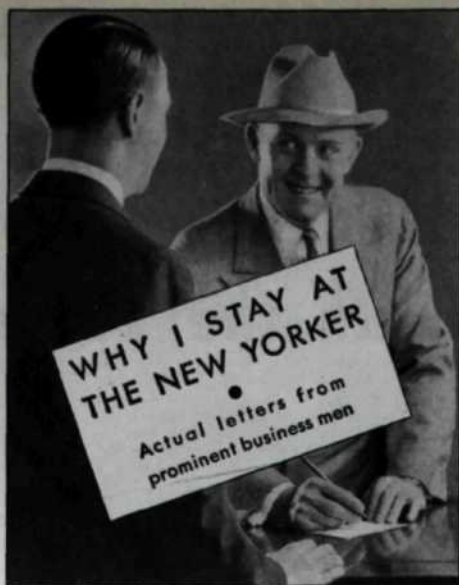
DETEX WATCHCLOCK CORPORATION

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29 Beach St., Boston 80 Varick St., N. Y.
Room 800, 116 Marietta St., Atlanta

NB-9

DETEX

Representatives in all large cities in America and abroad
When writing please mention *Nation's Business*



"More for your money at the New Yorker"
says Chicago executive

"YOU get more real comfort and A-1 service at the New Yorker than at any other hotel I know of," declares the president of a well-known Chicago company. "Yet rates are surprisingly moderate."

"Their \$3.50 rooms are marvels of comfort and convenience. Their food is always good and very reasonably priced. And they not only do things for you but seem to enjoy doing them—at the New Yorker."

Why be satisfied with second-rate accommodation when the best now costs so little at the Hotel New Yorker? 2500 rooms—over five hundred splendid ones for only \$3.50 a day. (See detailed description below.) Four fine restaurants; quality food; reduced prices. Stay at the New Yorker next time you're in town. Just three minutes from Pennsylvania Station by private tunnel.

**ALL THIS FOR \$3.50
AS LITTLE AS A DAY**

Quiet, airy, outside single room with tub and shower bath, luxurious bed, circulating ice water, Servidor, bedside and dresser lamps, full-length mirror, Stromberg-Carlson radio (4 programs).

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NEW YORKER**

"WHERE THE BEST COSTS LESS"

34th Street at 8th Ave., New York

RALPH HITZ, President

BOOK-CADILLAC HOTEL • DETROIT
Also under Ralph Hitz direction

When writing please mention Nation's Business

the retailer is predominant. It is a buyer's, rather than a seller's, market, in which the shopper, no longer obliged to patronize one store in the community, is able to select from several.

This exercise of public taste is one source of intense competition in the retail field, which has led, on the one hand, to heavy mortality among individual retailers, and on the other hand to increased efficiency in the surviving units.

The consumer is all things to all men. At times statistics make him look like a menace to the republic. Those who know him best say he is better than the statistics. A good word in his behalf is offered by Charles Coolidge Parlin, head of the commercial research department, Curtis Publishing Company. Says Mr. Parlin:

When the research man has covered the country in a market study, may he not then for an indefinite period shuffle cards and plot curves? Not if he is to do for his employers what he should do. As soon as he can put his conclusions into effective shape, he should get away from statistics and into the world of live people. For 20 years I have personally traveled an average of not far from 1,000 miles a week, a

total of approximately 1,000,000 miles in 20 years. Accumulating statistics? Oh yes, plenty of them, if statistics are what you wish, but tempered, I hope, by sufficient sense of humor to recognize that statistics should be the servants and not the masters of men.

In other words it is possible to translate mathematical measurements into the durability of human activity. It is the imaginative realist, rather than the biased optimist or pessimist, who understands that in a time of depression, statistics show that the world is headed for the bow-wows, and a projection of curves leads quickly to the nether regions. Yet out in the field conditions are not half so bad as the statistics indicate. People are still alive. They work, they eat, they play, they grumble a bit, they sigh for better days—but they are not dead—they do not intend to die right away. Ambition continues to assert itself; courage struggles to come back; the promise of better times is somewhere in the hearts of men. Markets are there for the man who studies people and their wants and, through that study learns how to advertise his products to win the favor of live people.

What Railroad Consolidation Means

IN MAY of 1869 two primitive, woodburning locomotives chugged toward each other west of Ogden, Utah. Where they met, a frock-coated gentleman drove a gold spike celebrating the union of the rails.

In July of this year another union of the rails was celebrated with quite different ceremonies. In this case the Interstate Commerce Commission drove the gold spike in the form of a decision which has been hailed as the most far-reaching pronouncement ever handed down by this body. The document embodied some 16 columns of newspaper print and bristled with names of railroads that the ordinary man knows only as cryptic letters on box cars.

What it said was "yes," with reservations. As a result, railroad officials are holding weighty conferences with their banks and each other, railroad maps are being tentatively redrawn and transportation reforms are promised in the name of economy, efficiency and balanced competition.

All this is of interest to the traveller, the shipper and the holder of railroad securities. To understand just how these reforms are to be brought about, how-

ever, it is necessary to know a little railroad history. In 1920, the railroads were returned to private ownership after 22 months under government operation. Coincident with this return the Transportation Act of 1920 was passed.

This Act, among other things, directed the Interstate Commerce Commission to prepare a plan for consolidation of all the railroads in the United States into a limited number of systems and granted it authority to approve the acquisition of one railroad by another by lease, stock ownership or contract not amounting to merger.

This was something of a reversal of congressional opinion as "pooling" and similar devices for relieving the pressure of competition had been expressly prohibited in the original Interstate Commerce Law passed in 1887.

Carrying out this mandate, the Commission, in 1921, announced a tentative plan combining all the country's railroads into 19 great systems. The railroads did not subscribe to this plan wholeheartedly. Some of the small lines did not wish to be married to the larger road of the Commission's choice. Some of the larger roads did not wish to

If the new Federal
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affects your business, see
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figure and accumulate the
tax as the bills are written.

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BURROUGHS TYPEWRITER BILLING MACHINE



MAKE *One* JOB OF TYPING AND COMPUTING *the* INVOICE

ELECTRICAL multiplication—and many automatic features of operation—make Burroughs Typewriter Billing Machine the fastest billing machine in use today. It is the only billing machine that multiplies directly . . . as well as the only machine that types and computes a complete invoice in

one operation. All extending (by direct multiplication), discounting, totaling and other calculations are performed *as the bill is typed*.

Investigate this remarkable machine for saving time, promoting accuracy and reducing billing costs. Telephone the local Burroughs office, or write Burroughs Adding Machine Company, 6158 Second Blvd., Detroit, Mich.

Burroughs

SMOKER PENS CONFESSION

Is Devoted to One Tobacco

Pleads with Makers To "Keep Up Good Work"

Loyalty is a common attribute of pipe smokers. But the loyalty of Mr. N. Sadlier-Brown, a resident of British Columbia, is of a kind and degree that would make any manufacturer feel proud of his product. Here is Mr. Sadlier-Brown's letter:

Blue River
British Columbia
November 26, 1931

Larus & Bro. Co.
Richmond, Va., U. S. A.

Dear Sirs:

It seems to me that I have been overlooking an obligation in not writing to you what I think about your valuable product, Edgeworth Smoking Tobacco. If a good thing is made, it should be boosted by its users.

Edgeworth is the coolest tobacco I ever smoked, and I've tried plenty. It has a flavor all its own, and the "flavor lasts" to the very bottom of the pipe. It's a high grade tobacco, and other tobaccos priced the same don't touch it for quality.

Most important of all, it's the only tobacco I can smoke. I have a bronchial throat, and every make of tobacco I ever tried irritates it—except Edgeworth.

So keep up the good work, for if you stop making Edgeworth I shall have to stop smoking.

Yours faithfully,
N. Sadlier-Brown

The makers of Edgeworth assure Mr. Sadlier-Brown that they certainly will "keep up the good work." And they want to assure him too that he will find the same fine quality in the Edgeworth he buys *anywhere*.

Perhaps you have never smoked a pipe. Perhaps you tried a pipe and found it wanting. In either case you are missing some of the real joys of smoking until you know the solid satisfaction of a good pipe with Edgeworth Smoking Tobacco. Edgeworth is a blend of fine old burlleys with its natural savor insured by a distinctive and exclusive eleventh process.

Your name and address, sent to Larus & Brother Co. at 119 S. 22nd St., Richmond, Va., will bring you a free sample packet of Edgeworth. Or you can buy it in two forms—Edgeworth Ready-Rubbed and Edgeworth Plug Slice. All sizes from the 15-cent pocket package to the pound humidior tin. Some sizes come in vacuum tins.

Pipe smokers and their families will enjoy the Edgeworth Radio Program. Make it a point next Wednesday evening from 10 to 10:30 (E.D.S.T.) to listen to "The Corn Cob Pipe Club of Virginia." It is broadcast over a coast-to-coast network of the National Broadcasting Company



When writing please mention Nation's Business

saddle themselves with the smaller lines allotted to them. In 1929, the Commission tried again. It announced a revised and final plan which divided the United States into four general divisions. To each of these sections it allotted a certain number of railroad systems. The East got five; New England got two and the West, eight. The South was to have two and was also to be tapped by three systems lying partly in other sections.

Consolidation in the East

OF these geographical divisions we are interested for present purposes only in the "East," an area bounded roughly on the west by the Mississippi River, on the south by the Ohio and Potomac Rivers, on the east by the Atlantic Ocean and on the north by the Canadian boundary.

In this territory there are 234 railroads with 58,000 miles of line and a combined investment of \$10,000,000,000.

Under the 1929 arrangement, these lines were to be parcelled out into groups which would have as their foundations the Pennsylvania System, the Baltimore & Ohio System; the New York Central System; the Chesapeake & Ohio-Nickel Plate System and a system to be built around the Wabash and Seaboard Lines.

The railroads were not happy with this arrangement. At hearings called to thresh out the matter, they recommended that the number of systems be reduced to four and the allotment of small lines among these remaining systems be considerably altered.

The Commission's July decision merely accepts these changes with variations. The new mandate provides four systems in this territory based on the Pennsylvania, Baltimore & Ohio, New York Central and the Chesapeake & Ohio-Nickel Plate. The Wabash and the Seaboard, kingpins in the original system, are both now in receiverships. Under the new plan the Wabash would become a part of the Pennsylvania System and the Seaboard would presumably become a part of one of the southern systems.

What all this amounts to is that the Commission has altered its plan of consolidation of the eastern railroads along lines selected by the roads rather than by the Commission. Some of the consolidations have, in fact, already been carried out without waiting for Commission approval. These unauthorized consolidations were cited by Commissioners Eastman and

McManamy in a minority decision.

Other objections mentioned in the minority report are that present changing conditions form an improper background for radical revision of railway systems and the extensive financial transactions involved.

Just what effect the question of expense may have is not yet plain. Intimations are that many of the consolidations can be effected by transfers of stock without the actual payment of money. Since the Commission left the technicalities of the matter to the railroads themselves, there is nothing in the decision to give the railroad security owner an idea as to what he may expect, whether he will receive new stock in exchange for old, whether his stock will be purchased outright, or whether there will be any change at all in his status.

Nor is there, for that matter, definite assurance that the plan will actually be carried out. The Commission has no power to force its suggestions into practice. It can, however, prevent combinations not in line with this decision. The best reason for believing the plan will go through is that the railroads themselves proposed it. Indeed, the Baltimore and Ohio has already intimated that the plan was generally to its liking. The Pennsylvania, on the other hand, is expected to find some fault as, under the terms of the decision, it must divest itself of holdings in the New York, New Haven & Hartford and the Boston and Maine or at least put these holdings in the hands of independent trustees before it will be allowed to affect further consolidations.

Better transportation expected

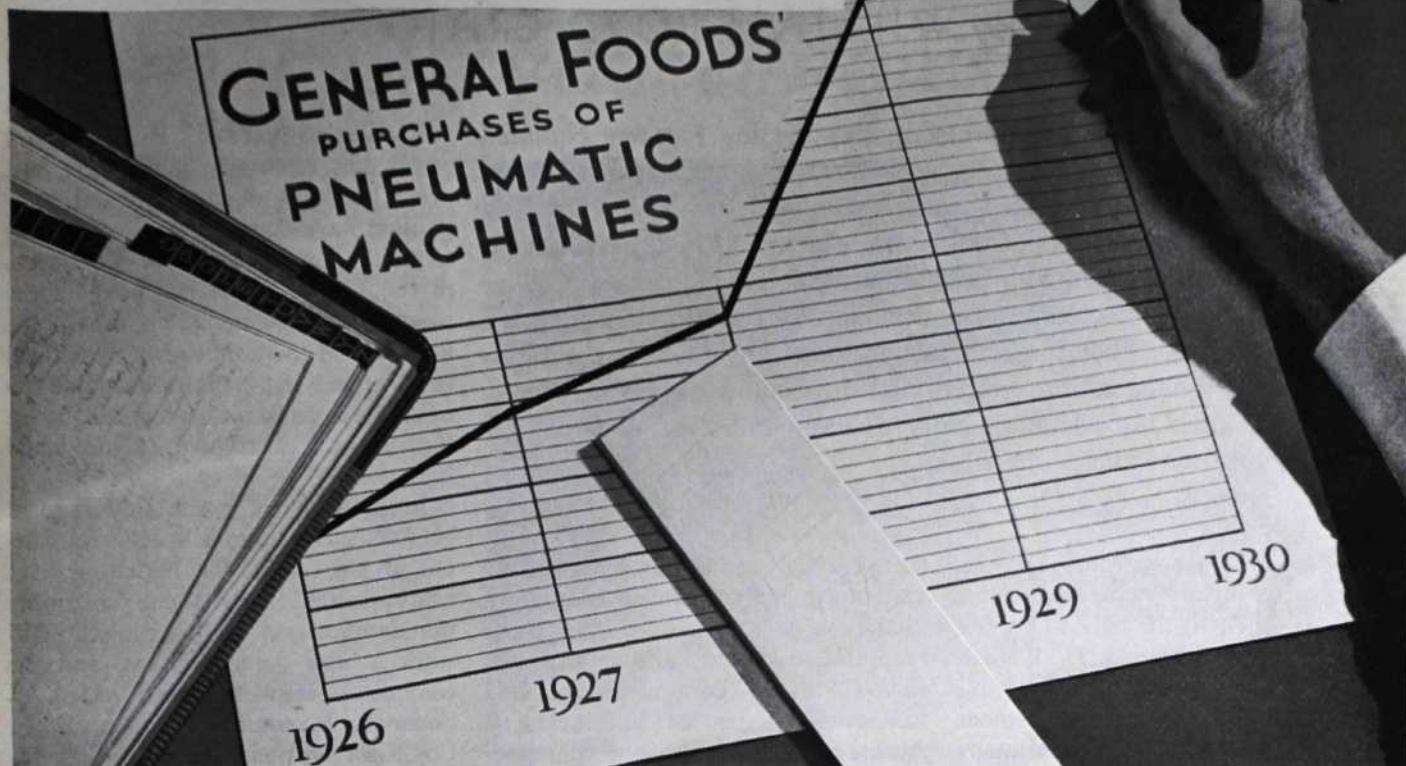
AT ANY rate, several years are expected to elapse before the transactions involved in forming the systems are completed. When, and if, they are, the East should have unified, adequate transportation, cheaper perhaps because of elimination of duplications and faster because transfers from one line to another will be eliminated over long hauls. Competition, although put on a more orderly basis will remain as a spur to railroad enthusiasm. Although the number of competitors is decreased, the four systems are more or less parallel.

Nor should the results of the decision be unfair to employees. Although more than 800,000 employees are affected, the decision specifically directs that the roads give careful consideration to the problem of avoiding undue hardships on their employees.

—PAUL MCCREA

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mounting investment



proves increasing satisfaction with Pneumatic Machines . .

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The greatest endorsement ever written for Pneumatic packaging machines is recorded in neat black figures in the ledger books of packaging industries.

If those figures could be totaled they would show that manufacturers of packaged goods have invested more money in Pneumatic packaging machines than in any other type. Even more significant is the fact that practically all of these companies have bought additional Pneumatic Machines since their original order.

General Foods, Inc., for instance, made their first investment in Pneumatic Machines in 1926. Each succeeding year, for the next four years, they increased their investment with additional purchases. Nothing could indicate satisfaction more clearly than their willingness to spend again and again, after their original order.

There is a Pneumatic Machine, or machines, to meet your own packaging or filling and capping need . . . Our engineers will gladly make recommendations on your problem. Write for complete information.

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Competition Your Taxes Support

By WILLIAM BOYD CRAIG

★ **CHARGES** that the Government, through the Farmers National Grain Corporation, is setting up a great monopoly and depriving farmers of a free and open market were made at the Kansas City and St. Louis hearings of the House Committee investigating government competition with private business. This testimony was introduced by grain commission men, elevator operators and farmers' cooperatives. Other complainants included hay and seed commission merchants, cotton growers and distributors, retail merchants, ice manufacturers, laundries, dry cleaners, railroads, diesel engine manufacturers and printers.

ONE enterprising business man has been thriving right through the worst of the crisis. He has enlarged the scope of his operations constantly. His methods have been ruthless at times and many are the victims of his ever widening progress.

This business man is none other than your Uncle Sam. He is not particular about what line of business he goes into, or the exact form of merchandising or manufacturing he undertakes. He makes ships, shoes, and sells sealing wax. If you need a new tire for your car, at near cost price, try the battleship *Idaho*. You'll find you can get a very good price on a set of spark plugs from the same ship's store. Or if you make your own gin, rum, or whiskey, Uncle Sam will be glad to purvey the proper flavoring extracts at lower than store prices.

Doesn't know his business

THE exact extent of Uncle's operations has not been determined. Out of the Government Printing Office, which itself takes business that might otherwise go to taxpaying citizens, has come no detailed record of all the ramified commercial activities through which the United States Government competes with its own citizens. It runs restaurants, hotels, ice plants, dry cleaning and dyeing plants and printing plants. It manufactures clothing, deals in cotton, wheat and wool, makes helium, operates laundries, manufactures paint and varnish, and is in the banking busi-

ness. Through various army posts, navy yard stores and cooperative enterprises, it is possible to purchase from Uncle Sam, the merchant, almost any conceivable article from a can of crab flake salad to a hair cut. At this time no estimate can be made of the volume of business carried on nor can there be a good guess as to the extent of manufacturing operations. It has, however, been a rapidly growing menace to private initiative during the past few years.

In the frontier fort there was ample excuse for the Government to aid officers and enlisted men by providing necessary articles not issued. Now, however, such an excuse exists only in isolated cases. We have, today, the actuality of a government store engaged in price cutting on little merchants across the street. At one Navy post, the can-tees of the officers and enlisted men are having a price war! What chance have local merchants?

Many citizens and even their elected representatives when reminded of the situation shrug their shoulders and say "perhaps there is some competition but it doesn't amount to very much. It may affect the railroads and other big organizations but they can stand it." It is safe to assume that when the totals of the volume of manufacturing and merchandising are finally assembled that they will defeat this line of reasoning. However, on principle alone, it can be argued that the size of the operations has nothing to do with it. It is simply not right for the Government to compete with its own citizens who help to foot the bill for government itself.

Readers of NATION'S BUSINESS will recall that repeatedly during the past years the evils of governmental competition have been brought to their attention. The Chamber of Commerce of the United States has used all the means at its command to arouse the hundreds of thousands of business men in its underlying organizations, and the Chamber is on record as opposing every form of encroachment upon individual initiative.

As pointed out in the July issue of NATION'S BUSINESS a special committee of the House of Representatives was appointed to investigate thoroughly the ramifications of this subject. This work is now going forward, and the committee—Representatives Joseph B. Shannon, Missouri, Chairman; E. E. Cox, Georgia; Samuel B. Pettengill, Indiana; William H. Stafford, Wisconsin, and Robert F. Rich, Pennsylvania—will report at the next meeting of Congress.

Representative Shannon, on May 31, obtained passage of the resolution which brought about the investigation by carrying into the House scores of articles of clothing, toilet goods and other non-military items purchased at government stores. He brought down the House, figuratively and literally, and caught the attention of the press, when he held up a pair of women's pajamas purchased at Ft. Leavenworth, Kan. When a colleague asked what the garment was for he replied that he supposed it was to deceive the enemy in case of war. In the course of the discussion, the resolution concerning government competition adopted at the last annual meeting of the National Chamber was read into the *Record*.

Checking the Army's trading

THE first definite concrete results of the campaign to stop such competition came with the action of the Congress in the Army Appropriation Bill passed late in the session. Two amendments effectively check Army manufacturing and merchandising to the general public.

The wording is clear enough:

While you dream of happy days and years ahead of you—plan for them—make your dreams come true

Metropolitan Life's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



METROPOLITAN LIFE INSURANCE COMPANY
1 MADISON AVENUE, NEW YORK, N. Y.

I am interested in having details as to how a sound Life Insurance Program should be built. Please send a Metropolitan Field-Man who can, with a knowledge of my present earnings and future prospects, help me to start building.

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ADDRESS _____

CITY _____

STATE _____

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THE day you marry you become a builder of the future for your

wife and yourself. You need help and the best helper you can find in all the world is your partner—your wife.

It may take years to realize your ambitions, but you can begin planning today.

From the day your building begins, your purpose—first, last and all the time—will be to build toward financial independence for yourself and your wife. That purpose will be the corner-stone in your building.

If you map out in advance the

steps you will take, you will anticipate the feeling of security and happiness which results from well laid plans from which the "ifs" are removed.

Ask a Metropolitan Field-Man to help you choose the corner-stone best adapted both to your needs and your pocket-book. Let him show you also, how, as time goes on, you can protect your home, educate your children and look forward to days of independence following days of accomplishment.



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

When writing METROPOLITAN LIFE INSURANCE COMPANY please mention Nation's Business

ROAR AND RUMBLE OF



Johns-Manville proves, by scientific Acoustimeter tests, that the average general office is as noisy as one of New York's busiest street corners

SCENE: Mr. Harrison's office in a large insurance company, Detroit.

CHARACTERS: Mr. Harrison, office manager. Mr. Forbes, a representative of Johns-Manville.

"I don't believe we have a noise problem here, Mr. Forbes. As a matter of fact, our offices are generally considered pretty efficient."

That settled matters once and for all as far as Harrison was concerned.

"Is it possible that you may just think that?" returned Forbes. "Noise, in the final analysis, is a relative thing. We grow accustomed to it. We don't even suspect its presence even though it is taking its toll in inaccuracy, disturbance, fatigue every day. It's only by comparison that we really become aware of the extent of noise."

"It will surprise you, I know, but I'll venture the opinion that your offices,

right here in Detroit, are every bit as noisy as 5th Ave. and 42nd St., New York, one of the busiest and noisiest street intersections in the world."

Harrison sat bolt upright in his chair. His expression was one of mingled amazement and keen interest.

"Mr. Forbes, if you can prove that statement, you will not only interest me but the chances are ten to one you might sell me."

This wire went to Johns-Manville, in New York.

"PLEASE CONDUCT ACOUSTIMETER TEST NOISE LEVEL CORNER 5TH AVE. AND 42ND ST. REPORT."

Meanwhile, two J-M Acoustical Engineers were at work in the general offices of the insurance company. The Acoustimeter, a delicate instrument for measuring noise, was set up. Test after test was made. In this corner of the office. In the

Air Drills defeated in Acoustical Battle



MAY 1930. A lecture hall. Third floor. Street side. Benjamin Franklin Univ., Washington, D. C. Noise of street cars, vehicles, made it almost impossible for students to hear.

SEPT. 1930. Same lecture hall, quieted by Johns-Manville. "Outside was the 'machine gun' clatter of 3 air drills at work on the street. Yet, strangely enough, the lecturer was able to continue for a full two-hour period."

B. E. Hunsinger, Director.

NOTE: It has never been our claim to control external noises. Yet repeated cases, such as the above, indicate that the effectiveness of J-M Acoustical Treatment extends even to deadening outside disturbance.

When writing to JOHNS-MANVILLE

FIFTH AVE. AND 42ND ST.



.... FOUND in a busy Detroit Office

center. In that corner. The average was taken. It was 67.5 decibels. And that, in unscientific terms, means *NOISE at a disturbing level.*

This wire came back from New York.
"AVERAGE NOISE LEVEL 5TH AVE. AT 42ND ST.
68 DECIBELS."

Almost unbelievable! Yet here was proof that Harrison's general offices *were* as disturbingly noisy as one of the world's busiest street intersections.

Needless to say, Forbes of Johns-Manville made the sale.

ONE firm has reduced errors 42% by installing Johns-Manville Acoustical Treatment. Another radically cut absences due to illness. A large department store slashed noise disturbance 83%.

For 18 years, Johns-Manville has been

the recognized authority in the development of Acoustical Materials. Applied to the ceilings or walls of offices, stores, restaurants, hospitals, factories, etc., these materials absorb NOISE as a blotter absorbs ink, or a sponge absorbs water.

In churches, theatres and other places for public assembly, these same materials guide *wanted* sounds to the ears of listeners, quell reverberation, and *correct* faulty hearing conditions. Not one ma-

terial for every use, but a *group* of materials varying in cost, appearance and efficiency to fit the case.

On every side one sees specific examples proving that the use of Johns-Manville Acoustical Treatment *gets the results.*

Noise may be reducing efficiency and profits in your offices. A J-M acoustical engineer will gladly advise you, without obligation. Address Johns-Manville, 292 Madison Ave., New York City.

"Noise Sits in the Corner"

When the employers of the City Bank Farmers Trust Co., New York City, entered their new quarters in the new City Bank Building, 22 William St., a few weeks ago, they were surprised how quiet it was. As work increased, and the day wore on, they were even *more* surprised how quiet it was.

For the City Bank Farmers Trust Co. is treated with J-M Sound Absorbing Materials. Noise literally "sits in the corner." Efficiency and favorable working conditions result. Just another specific instance—out of *thousands*—proving that Johns-Manville Acoustical Treatment is *the* solution to NOISE problems.

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● The results are fuel savings already aggregating more than \$7,000,000 a year, and this sum increases each year. Users buy less expensive coal which contains just as many heat units per ton but costs much less. Fuel savings alone, on an average, are approximately 35 cents out of every dollar formerly spent. In 17 recent cases in Milwaukee, the average saving was 49 per cent.

● You don't need to have anyone explain these things to you. The Iron Fireman Manufacturing Company has published a book which shows in words and pictures in a simple manner that anyone can easily understand, exactly what the Iron Fireman is, what it does, and how it operates. We would like to send you a copy of this book with our compliments. Just ask for it, using the coupon below. Iron Fireman Mfg. Co., Portland, Or.; Cleveland, Ohio; Toronto, Canada.



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No part of any appropriation made by this act shall be used in any way to pay any expense in connection with the conduct, operation, or management of any post exchange, branch exchange, or subexchange within any state, save and except for real assistance and convenience to enlisted men and their families and troops in supplying them with articles of ordinary use, wear, and consumption not furnished by the Government.

This makes a good start, but there is more to come. The elimination process should go on until every cafeteria in the federal buildings and every indirect competitive agency of any sort is eliminated. The original bill for the twenty-one post offices to be built this year provided for cafeterias, but that has been stopped, saving three quarters of a million dollars.

In discussing the project, Representative Shannon showed me literally hundreds of letters from every section from business men who were being directly or indirectly injured by the Government. The wide range of businesses represented was also significant.

Many business men interested

REPRESENTATIVE Shannon expressed his appreciation of the cooperation given by NATION'S BUSINESS and added that more than 25 of his correspondents had commented on the editorial "Government Competition and Little Business" which appeared in the July issue of this magazine. He added that it evidently went to a group of interested industrialists which might not have been reached through the ordinary news channels. A partial list of the businesses complaining to Representative Shannon that they are suffering from unfair competition by their Government follows:

Architects and engineers; Artificial limb shops; Automobile repair men; Banks; Blanket manufacturers; Brick manufacturers; Chemists and Chemical Engineers; Clothiers and Tailors; Coal dealers; Coffee roasters; Cotton dealers; Dairies; Drug-gists; Express companies; Gasoline and oil dealers; Grain; Grocers; Helium; Hotels; Ice; Insurance; Jewelers; Laundries and Dry Cleaning Plants; Live Stock men; Medical profession; Map Publishers and Lithographers; Musicians; Nurseries; Optical supplies; Paint and Varnish Manufacturers; Paper; Post Exchanges; Printers; Parachute and Aerial Equipment makers; Photographs, Photostats and Blue Prints; Railroads; Realty Owners; Restaurants and Cafeterias; Surveying Instrument manufacturers; Shoe Manufacturers; Theaters; Tents and Canvas Goods.

Architects and engineers complained that government research takes much business which properly should fall to them. Coal dealers assert that the Gov-

ernment sells, through cooperative societies to government employees and others, coal which has been stored on government property.

Real estate owners ask that the Government cease renting restaurants and offices in federal buildings. A complaint from San Antonio points out that the Farm Board purchased a refrigerating plant there which sells ice to the general public.

In commenting on the progress made so far, Representative Shannon said:

As we started our work we soon found that the average man does not understand the wide ramifications and complications of federal, state and local governmental competition. Even members of Congress were not familiar with the situation. Until the investigation was ordered, no progress had been made toward getting the Government out of business.

The resulting publicity, aided by NATION'S BUSINESS with its great army of commercial readers, brought forth a surprising response from business men and economists everywhere. We, who are interested in the project, were most gratified to see the action taken with respect to the Army appropriation in the last days of the session.

The testimony of L. F. Savage, a Portsmouth merchant, before the special House Committee investigating government competition may be of interest to any who think that it is a trivial subject:

The commissary store at the Norfolk Navy Yard will sell anything from carpet tacks to parts for automobiles. It has just established a gasoline station.

The receipts from this gas station alone are about \$125 a day and the receipts from the commissary store proper are about \$18,000 a month. It is roughly estimated that the commissary store at the Norfolk Navy Yard is taking from the regular licensed merchants a business to the value of about \$21,250 a month at a cost of \$1,605 in salaries to Government and taxpayers.

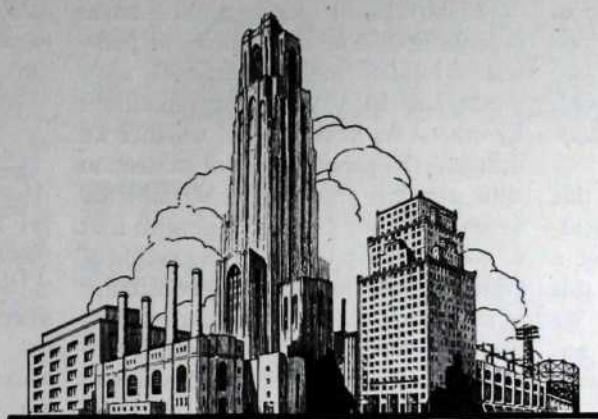
At present the U. S. S. *Idaho* and the U. S. S. *Mississippi* are at the Norfolk Navy Yard. Each of these ships has approximately 500 men. Each of these ships' service stores are taking thousands of dollars a month from the regular licensed merchants in this immediate vicinity. They sell civilian clothing, such as shirts, neckties, underwear, jewelry and parts for automobiles.

The U. S. S. *Mississippi* has gone so far as to come out in the city of Portsmouth, Va., and rent an entire floor of the Woodmen of the World building for a branch store.

The thinking business man, unaffected by this competition directly, may well ask himself why such a situation is allowed to exist. The reason is inertia. However, a start in the right direction has been made, and the end will be when the Government of the United States ceases entirely to take opportunity away from its own citizens.

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New York

Federal Taxes Can Be Cut a Billion

(Continued from page 18)

rection could be substituted for the present item-by-item method. For example, the current War Department supply bill carries appropriations of about \$390,000,000. The cardinal principle of modern organization for great tasks is the coupling of responsibility with authority. The War Department's duty is to provide defense. The technique of providing it is a professional question. If the Army budget items were allowed in broad terms, including only general legislative direction of War Department policy and requiring a detailed report of proposed spending, subject to congressional veto on particular items, we should be operating in accordance with the logic proved by experience in modern administrative methods.

It has been suggested that by this and other measures we might thus attain a greatly increased efficiency at a saving of perhaps \$100,000,000 in this appropriation alone.

But the legislature insists upon appropriating for every locality and every object and every item in detail. This practice tends to invade the constitutional function of executive control of the outlay of military operations, since power over the purse is power over all.

The Army is too localized

THE result is that, instead of an army concentrated at a few strategic points, where its effectiveness in training and use would be enhanced, we have a multiplicity of posts and stations, each a separate village or town with nearly all municipal functions extravagantly operated and financed at federal cost. Instead of having a single complete military tactical unit (except in the Air Corps) we have an army segregated into small skeletonized details and scattered with greater regard to territorial distribution of appropriations than to any principle of strategy or logistics.

The army is in charge of river and harbor work, which means the administrative control and improvement of navigable waters. This bureau will spend not less than \$60,000,000 in the current fiscal year. Passing the allocation of this civilian function to the War Office with the remark that it is an anachronism of tradition, the failure to apply the lump sum principle to this problem is resulting in waste of hundreds of millions of dollars.

Considering military functions alone, whether we compare the cost *per unit* of protection with the cost to other nations, or whether we compare our prewar cost *per unit* of protection with present cost, especially when we consider present low prices, the present expenditures seem to require explanation. We are paying more than twice as much *per unit* as the prewar cost and several times as much *per unit* as some foreign powers. Under the itemized system of appropriations, responsibility cannot be assessed to the War Department.

Similar considerations govern naval expenditures. The multiplicity of politically located and maintained navy yards has been sufficiently discussed by others. As in the Army, whether we compare the *per unit* cost of protection with our own prewar costs, or whether we compare our *per unit* cost with that of other nations, there is a suggestion of extravagance. But before responsibility is assessed to the Navy Department, it would be well to ask the General Board of the Navy whether it would prefer to undertake the responsibility of naval protection with \$275,000,000 in lump, to be spent in accordance with the best professional opinion and engineering thought of the world as its guide, or the current appropriation of \$350,000,000 on a formula itemized and provided by Congress. It is difficult to believe that a more modern method would not save \$75,000,000.

If no more appropriations are made to carry out the present policy of the Farm Board and if the cost of future efforts is assessed, not to the Treasury of the United States, but to the crops benefited by any plan attempted, the 1932 appropriation of \$136,000,000 need never be repeated.

The Post Office Department for so many years has been recognized as the principal political "pie-counter" that it may be difficult to alter its chief characteristic.

To any but a state socialist it would seem that this commercial-service organization enjoying one of the greatest of monopolies ought to be self-sustaining at the 1926 and 1927 postage rates. Before the present doctrines were given full rein, the operations of that Department were nearly balanced. In 1932, the deficit was \$202,000,000. Examination of this great commercial enterprise reveals a maze of subsidies, of special operations designed to run at a loss,

and a most astonishing administrative organization. The latter reference is, of course, to the whole system of appointment of first-class postmasters.

The functions of a first-class postmaster constitute a ministerial specialty. The art of mail distribution, of the parcel post, and of the money order system, is the art of the express business. A postmaster is no more nor less than the local manager of a not-very-difficult auxiliary service. Unlike a congressman or even a consul, he has no political theory to maintain. Indeed it is highly appropriate that he be *not* a political leader. All that should be required of him is peculiar experience and expertness in his work.

Less politics would save money

IN THE post office system we look for these qualities to assistants. The office of first-class postmaster is a political sinecure. If all the postmasters in all the first-class offices in the country walked out tomorrow, would there be any functional effect, except perhaps a slight improvement in service?

Conditions affecting contracts for the carriage of the mails, especially on rural routes, and the banking and express service activities of the Post Office Department have been frequently and adversely commented on.

In such a state of affairs, it seems that all that is necessary to decrease the \$202,000,000 deficit of 1932 or eliminate the \$155,000,000 deficit of 1931 is courage and candor and not a preservation of patronage by subsidizing it with a 50 per cent increase in postage rates. In the face of the country's greatest trial we shall watch the application of plat-form pledges to this Department.

It is not the plan of this discussion to make a detailed examination of the entire federal labyrinth. As was said in the beginning, solution of the problem of federal spending depends primarily on point of view. Pains have been taken to distinguish between two opposing economic philosophies. That of the makers of our Constitution kept federal spending within reasonable limits up to the Great War. As the liquidation of the vast war organization proceeded, there was some fleeting hope of a return to fundamentals. In recent years, the dominant economic philosophy has paid scant respect to these fundamentals.

The reference here is to the assump-

Whatever the Load— Depend on Internationals!



MILK is the perfect food — the gift of Nature bountifully given. Every day of our lives we all need milk. If the old-fashioned milk pitcher were put back on the family table as a regular fixture the standards of health and energy would rise everywhere in the land.

A river of milk flows from the meadows to the homes in the cities and towns, carrying billions of gallons from the cow to the doorstep. The drama of milk production goes on through winter and summer, storm and shine. When the vital routine is broken, distress looks over the horizon.

In this great work of distribution, watch the International Trucks! An army of sturdy Internationals works

for the dairy industry, hauling supplies for the dairy farm, speeding the milk to the bottling plants, shouldering a liberal share of the daily deliveries of thousands of retail city milk routes. This major industry has learned through years of experience that Internationals fill the bill, not only for absolutely dependable delivery of the perishable product but for *economy of operation*.

International Trucks have earned

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The Illustration shows the 1½-ton 4-speed Model A-2, now reduced to
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136-in. wheelbase chassis f. o. b. factory (taxes extra). Other sizes from ¾-ton to 7½-ton. International Company-owned branches at 188 points, and dealers everywhere.

the confidence of owners and drivers in every line. Get acquainted with Internationals and let them cut *your* hauling costs. They will do it. Visit any of our Company-owned branches or an International Truck dealer. Or write us direct and we will send full information.

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INTERNATIONAL TRUCKS



TAKE ME
I'M BETTER

**Make your
Package
speak for itself!**

Your dealers have *so many* items to handle—they have not the time to “push” your goods, even if they would like to.

This puts the real burden of selling on the package—it must speak for itself. And it *can*—most convincingly!

Your package can say as plainly as words that your product is of *finer quality*. Superior appearance will do it.

It can say that the goods are *fresh*—in perfect condition. Wrapping which clearly indicates the utmost protection against deterioration will do this.

Your package may be so designed that the *goods* themselves can be seen through a transparent wrapper—an effective way to create appetite appeal or to show the special advantages of a product.

Our widely diversified line of machines meets the individual requirements of a great variety of products. These machines are adaptable to every type of packaging material—printed wrappers, transparent cellulose, glassine, waxed paper, foil, etc. Thus we are ideally situated to carry out your package improvements.

Keep an Eye on Cost, too

We can also assist you in keeping your packaging costs at a minimum. Our machines are as well known for their economy as for the fine packages they produce.

To improve your package... to lower your costs... or to devise a means of packaging a new product—get in touch with us.

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New York Chicago Los Angeles
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tion of functions hard to wring from the Constitution. Congress has power “to regulate” interstate and international commerce. In 1911, the Department of Commerce and Labor spent \$15,000,000. Under pressure to extend the government's activities into fields hardly regulatory, the appropriation for the Department of Commerce jumped to \$61,000,000 in 1931.

One of the few truly constitutional functions of the Commerce Department is census-taking. The 1930 census has consumed the greater part of two years and cost \$39,000,000. In 1917, a census of the entire male population between the ages of 21 and 30 was taken in 48 hours at a cost less than one half of one per cent of that.

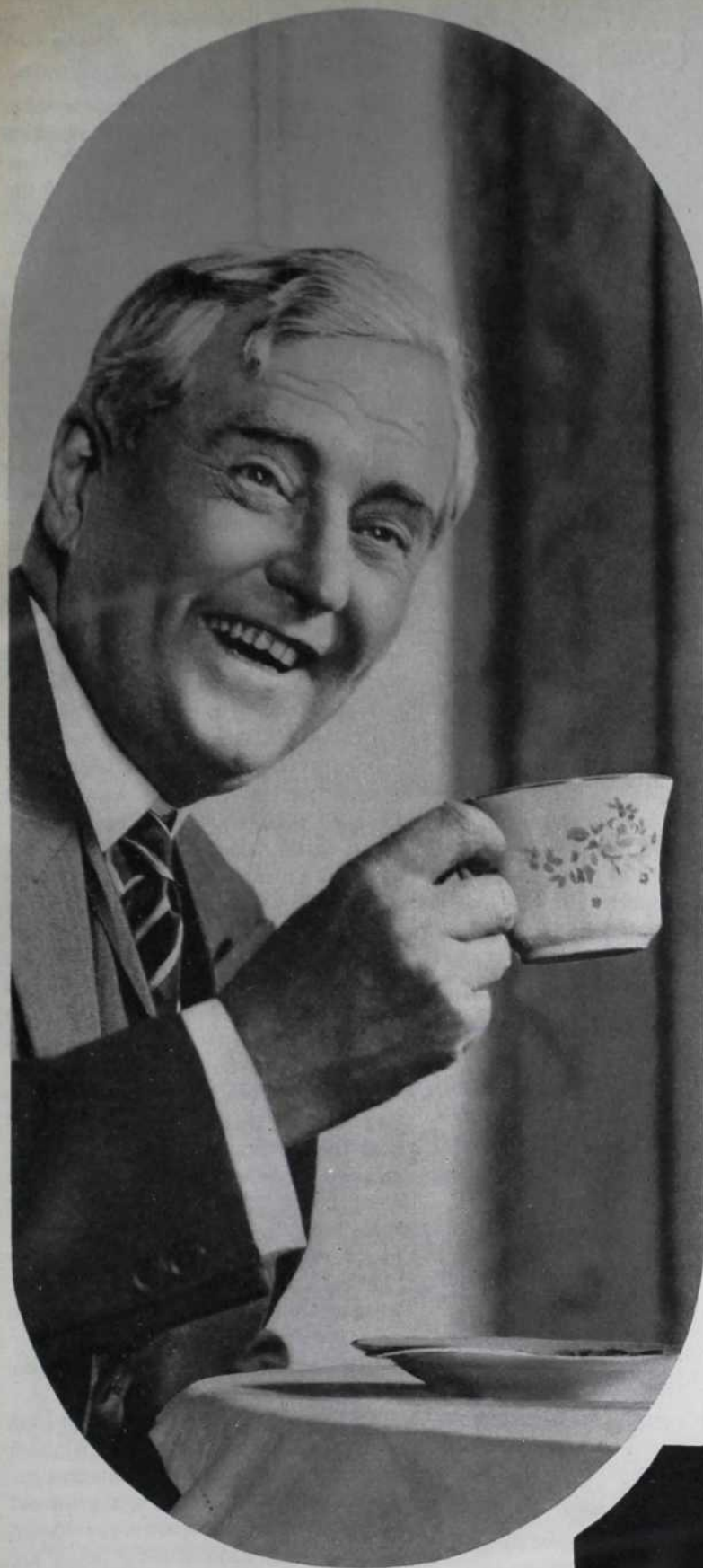
Under the Constitution, Congress has power to “establish post offices and post roads.” Under the doctrines of the “new economics,” the Federal Government is found in 1931 spending \$125,000,000 a year in building roads in every direction with little actual relation to their use as “post roads.” This road policy results in a process of “redistribution of wealth” territorially. The proposed 1932 road bill distributed \$11,000,000 to six states from which the entire income tax revenue in 1931 was less than half that amount.

Under the Constitution, the Federal Government has no function in public education. It is a matter properly and exclusively reserved to the states. Under the departures from fundamental principles, which are here protested, we find the Departments of Interior, War, Navy, Agriculture, and several independent bureaus and agencies spending millions of dollars for this purpose.

In 1911, the Department of Agriculture cost \$20,000,000. In 1931, it spent nearly \$300,000,000. We will search the Constitution in vain for any justification for most of the activities of the Department.

Without unduly extending this part of the discussion, which is intended as exemplary rather than complete, it can be said that a moderate return to first principles of American government and a slight relaxation in political exploitation of the public purse should effect at least the following savings:

Veterans' Bureau	\$400,000,000
War and Navy Departments	175,000,000
Farm Board	136,000,000
Commerce Department	30,000,000
Department of Agriculture	100,000,000
Post Office Department	150,000,000
Revision of pay schedules, relinquishment of improper functions, restriction of federal aids and subsidies, regrouping and redistribution	



"What a DIFFERENCE"

Today, hundreds of new consumers will use your product. They will compare it with the others they have tried. Unless it reaches them in prime condition, how can they judge it fairly? And what about future sales if they do not find it at its best?

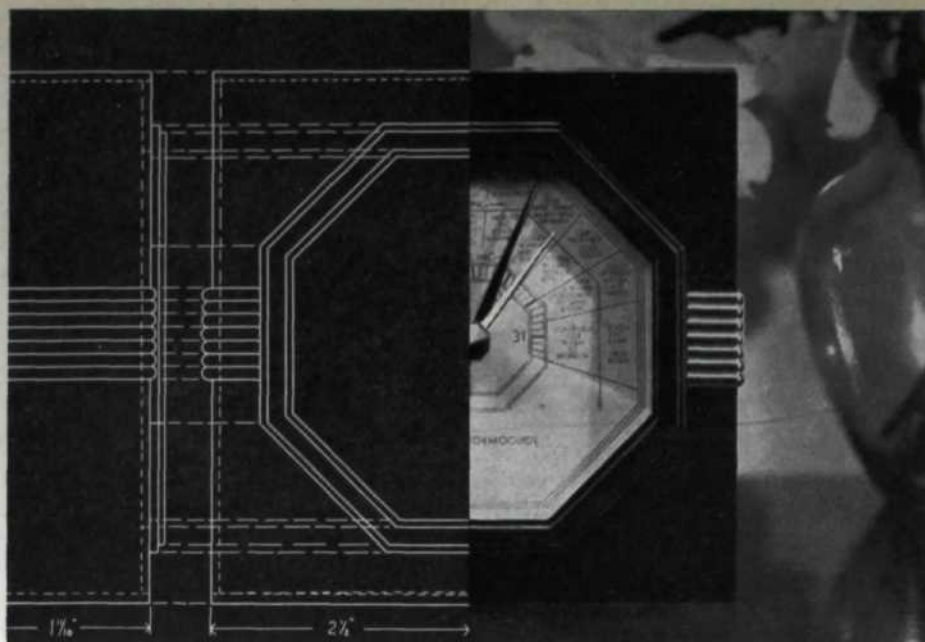
A container that does not properly safeguard the product is a needless (and costly) handicap—whether the product be coffee or paint, tobacco or cosmetics, crackers or drugs, or one of hundreds more. But it is a handicap which American Can Company customers are rarely forced to face. For to Canco research and Canco engineering, the problems of product-condition are far from new. For many years, and in many fields, they have developed containers that win hands down the fight with atmosphere, distance, time. Without these Canco minds, many of the problems might still be left unsolved. Without these containers, the history of many a famous brand might yet remain untold.

It is expensive enough to get new customers to try your product. It is far more costly to disappoint them. If an improper package is the obstacle between your company and greater sales, perhaps the American Can Company, with its rich experience, can break that barrier for you—as it has done for so many customers, large and small.

AMERICAN CAN COMPANY

230 PARK AVENUE
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From Improved Design to Improved Product...a simpler step with Bakelite Molded

TO RADICALLY CHANGE a product to meet the fickle fancy of a novelty seeking public frequently proves a costly speculation. Nevertheless, manufacturers do have to face the problem of offering improved features or appearance to retain public favor. This usually means retaining the basic construction of a product, while adding to it new beauty, new utility and new style. However, any changes obviously must fall within the limits of the production equipment of the plant.

Although by no means a "cure-all", Bakelite Molded often offers a most logical solution to the problem of product improvement. From the sales angle, Bakelite Molded offers beauty of finish and color, durability, strength, insulating efficiency and resistance to moisture and corrosion.

To the designer, it presents a logical

medium for the expression of salable and practical design. To the production department, it brings the benefits of simplified manufacture and assembly, with little if any disturbance of the present routine. We have aided hundreds of manufacturers to solve problems of salability, design and production, through the use of Bakelite Molded. Let us help you too. Your inquiries are welcomed, and our cooperation is offered willingly.

Write for booklet 1M, "Bakelite Molded," describing this material.



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of functions and merger, abolition or regrouping of independent agencies

\$200,000,000

Total

\$1,191,000,000

Of course this cannot be done without a reversal of the present conception as to the proper province of Government. It cannot even be considered unless the growing menace of the present economic situation influences the patriotism of political leadership of both parties and works a truce in political exploitation of the federal system.

Such great students of democracy as Voltaire, Herbert Spencer and Macaulay predicted that Democracy would "eat itself up" in unbridled activities and resultant costs. Today, nearly one-third of the income of all our people is taken to pay for governmental activities, most of which are non-productive in the sense of being wealth-producing. It remains to be seen if the "will" of a democracy in a crisis such as we face today is powerful enough to do the painful thing of effecting economies.

It is the fashion to blame Congress. To do so is to blink at realities. There is no lack of patriotic, intelligent and fearless men in Congress. Our fathers intended that they should be representative in the strict sense. Development of modern means of communication has rendered that concept obsolete. Congress is a mirror of its own constituencies. Another contemporaneous development of the modern age controls the images in that mirror—the art of organization and propaganda by minorities banded by a private interest.

These organizations control votes in large blocs. It is political suicide to oppose them. And such suicide is useless sacrifice, because it results in replacement by men pledged in advance to these minorities. This development actually threatens disintegration of our political system. There is only one defense and that is an equally determined organization of majorities.

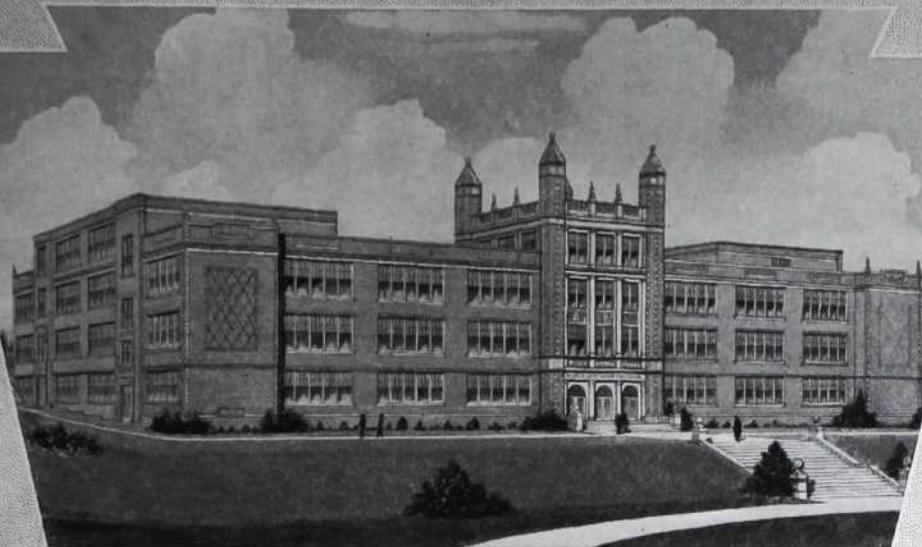
Salvation lies in the hands of the electorate. In conclusion:

There can be no balanced budget without this cut. Without a balanced budget there can be no permanent recovery and no palliative yet proposed can succeed. On the contrary, inflation and the obscuration of fiscal policy are actually destructive. If we balance the budget on a billion-dollar cut, there will be no necessity for palliatives. It is the key to economic recovery.

Silas H. Strawn, another business man, will carry on this discussion in the October number, pointing out that even the little that has been done along the line of economy is in jeopardy.

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The Original Rust Resisting
COPPER STEEL SHEETS



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now holds an important place as a building material. It finds a natural adaptability from the standpoint of utility and cost. In the construction of this imposing and modern High School building—

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were selected for the sheet metal work of the heating and ventilating systems, in keeping with the high standards of quality and excellence throughout.

AMERICAN products are adapted to all forms of sheet metal fabrication, particularly in modern construction—public buildings, industrial structures, and homes. Supplied in Black and Galvanized Sheets, Formed Roofing and Siding Products, Tin and Terne Plates for all uses. We also manufacture U S S STAINLESS Steel Sheets and Light Plates. Send for literature.



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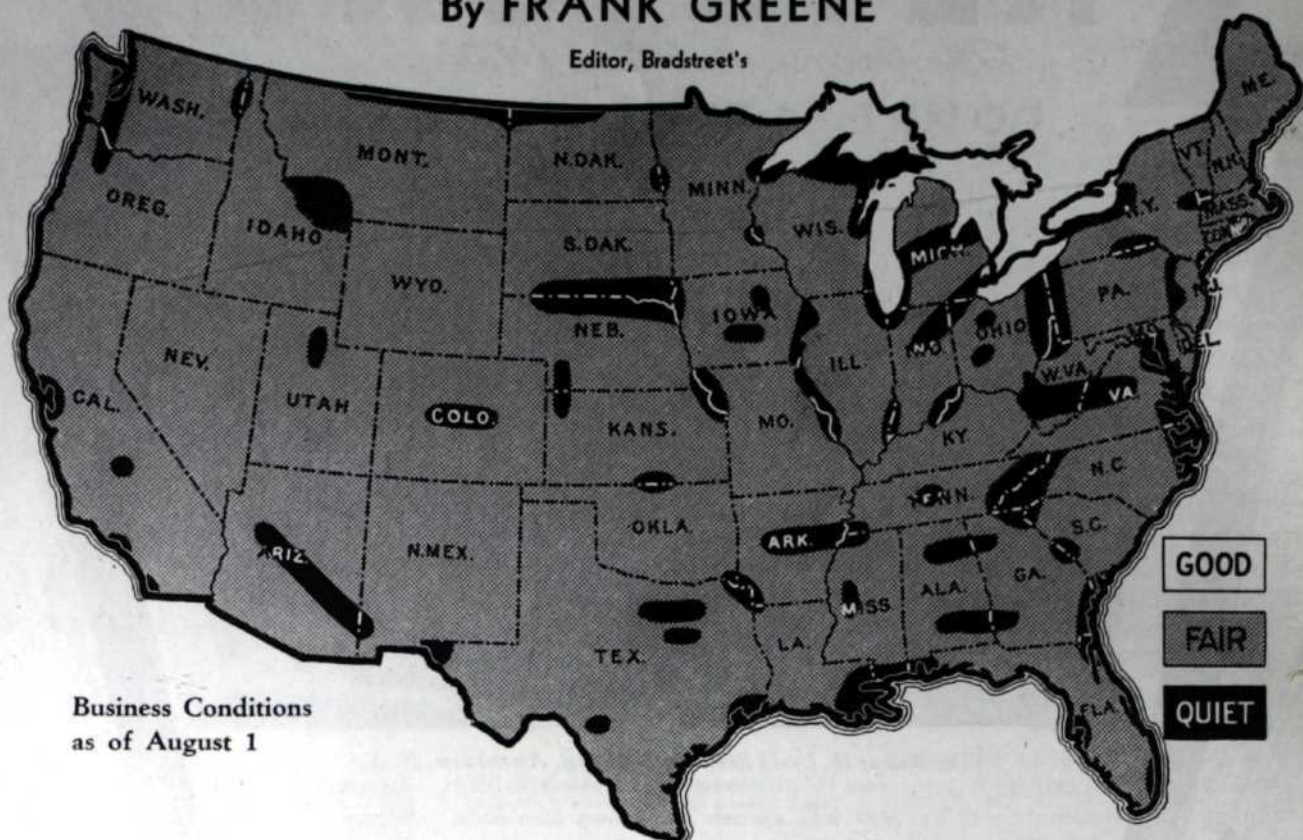
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The Map of the Nation's Business

By FRANK GREENE

Editor, Bradstreet's



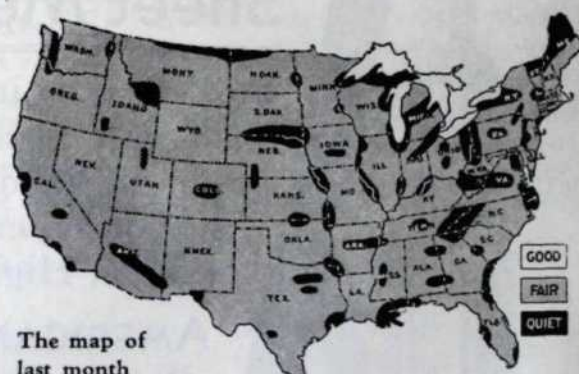
Business Conditions
as of August 1

RISING commodity prices, renewed activity in the stock market and increasingly optimistic business sentiment lead to the belief in many quarters that the worst of the depression has been passed

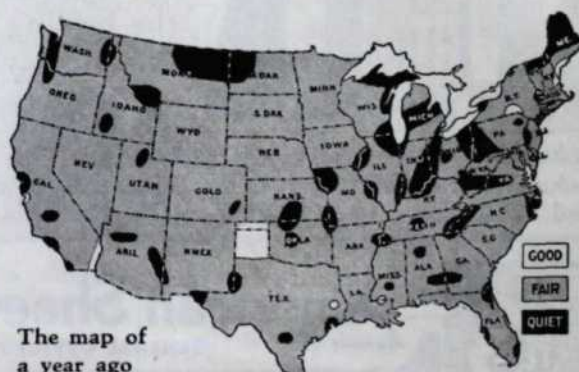
JULY saw improvement. The change was in sentiment rather than in actual business, but there were enough favorable happenings to justify the idea that June had seen the "irreducible minimum." Independence Week was a slack period, but thenceforward the stock market seemed to awaken, the advance in commodity prices broadened, and an almost magical change in the business atmosphere was apparent. Results of this are found in a second consecutive rise in the *Monthly Commodity Price Index*, with July showing double the increases and only half the declines of June.

None of the heavy industries seemed to share materially in this change. Indeed, automobile output slackened, despite price cuts. Steel and pig-iron production made new lows. Car loadings shrunk. Failures were heavy in number and liabilities. Building was slack and lumber depressed, but continued curtailment in production in the latter industry kept stocks down. The petroleum industry again lowered crude production and there were reports that gasoline stocks had been reduced slightly.

In the lighter trades, cotton-mill curtailment was sharp and, with a slightly better demand, was sufficient to harden prices a little. Wool prices gained a trifle, although consumption as a whole was low. Silk, with other imported textiles, joined the list of advances. Finished products, as a whole, still showed a disposition to price stubbornness,



The map of
last month



The map of
a year ago

The first appreciable lightening of the darkness which has shaded the business map is recorded this month, notably in Pennsylvania and in New England

"PUBLIC ENEMY NO. 1"

laughs at locks

YOU have to keep fire away with brains—locks won't do it.

Fire prevention is worth while both to property owners and to the general public, since one group pays the cost of fires in insurance premiums, and the other absorbs a large part of the cost in rents.

A policy holder in a *mutual* fire insurance company benefits very directly and measurably by prevention of fire loss. Through inspection and education mutual policyholders are helped to this end. The resulting saving is passed on to the policyholders themselves in dividends.

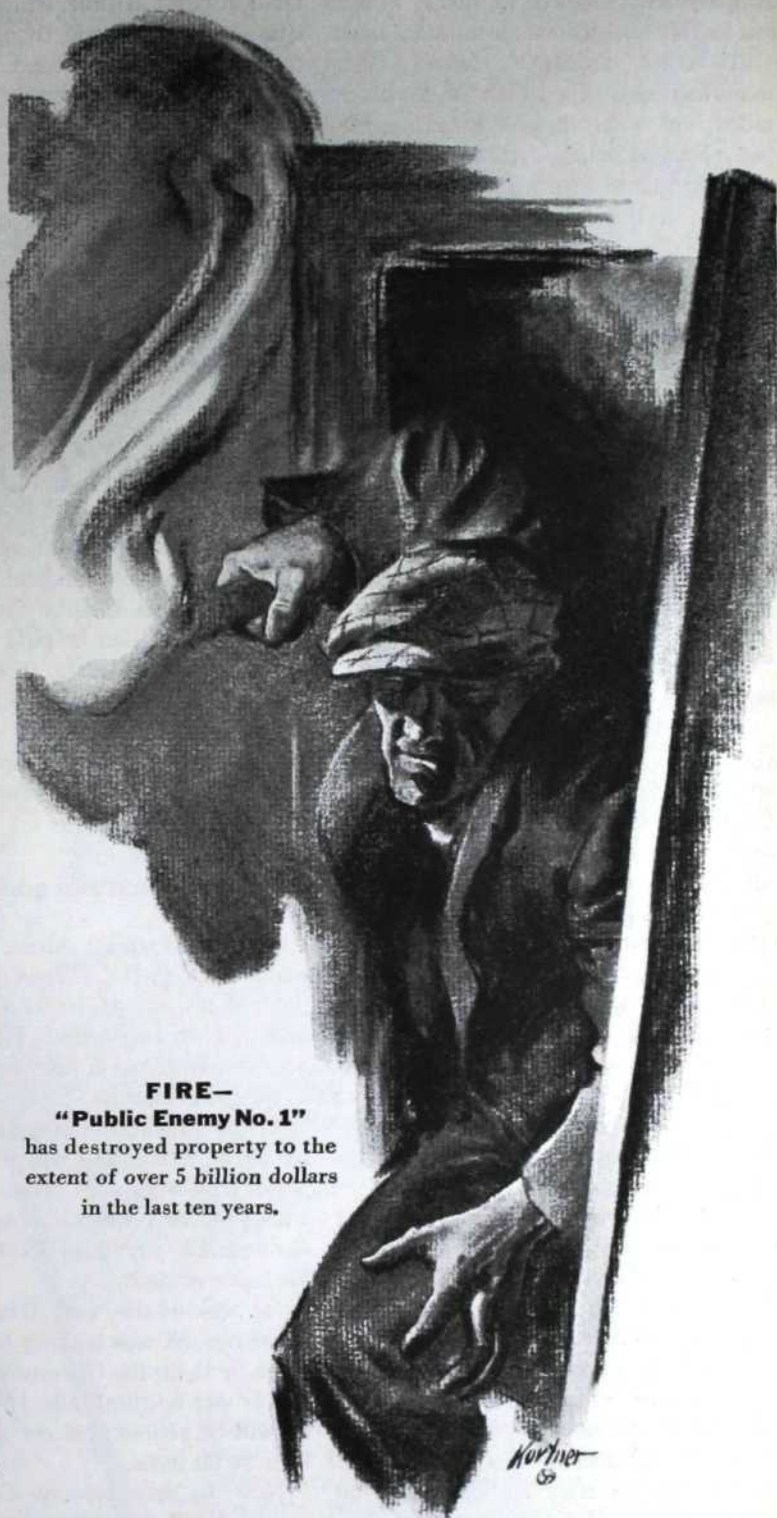
This process has worked so well that property owners insured in *mutual* companies have received hundreds of millions of dollars in the form of dividends.

If your property is not covered by mutual policies it would be to your advantage to investigate this form of insurance that has soundly and safely protected American property for over a century and a half—that now protects property to the extent of over 40 billions of dollars.

An interesting, brief summary of the history, principles and operation of mutual fire insurance will be sent on request, entirely free of cost or obligation. Address the Federation of Mutual Fire Insurance Companies, Room 2100-B, 230 North Michigan Avenue, Chicago, Illinois.

Matching This Record Takes Time

Mutual fire insurance was founded in 1752. Twenty-two mutual fire companies are over a century old; scores of companies have over 50 years of corporate existence. There is something compelling in such a record of stability. And rightly. For the conservatism, soundness and economy of mutual management has been strikingly demonstrated in the stress of the past two years. In 1930 and 1931 the 75 companies comprising the Federation of Mutual Fire Insurance Companies as a group paid larger dividends than in any other two years in their history; a total of \$32,879,579.00. In addition full legal reserves were maintained.



FIRE—
"Public Enemy No. 1"
 has destroyed property to the
 extent of over 5 billion dollars
 in the last ten years.

MUTUAL FIRE INSURANCE

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and the claim was made that steel had lagged well behind others in the downward trend in staples. Color to this was given by complaints that foreign steel was coming in, despite tariff restrictions. Employment seemed to make a new low in July except in some seasonal lines.

In a few industries, notably shoe manufacturing, in which style shows aided, fall orders helped speed up output. Except where strikes prevailed, clothing manufacture showed more life which, in turn, helped some woolen mills. Retail buying was largely made up of summer wear on which prices

were cut. Taking industry as a whole, the smaller units and secondary lines seemed to sense favoring breezes before the larger units.

Recent tariff changes evidently stimulated imports in June, which rose rather sharply. Export trade, though helped by cotton shipments, receded, a slight unfavorable balance of trade resulting. It might be suggested that events at Ottawa may have an important bearing upon our future.

Hot weather lowered spring wheat condition in July in this country and Canada, and crop estimates were shad-

ed. North America, however, seems to have a large part of the world's surplus stock and supply. A big corn crop seems in prospect. Tobacco will show a big decline from last year's record yield. Supplies of American cotton are not far from equalling two years' consumption. There are hopes that Farm Board surpluses of wheat and cotton can be worked off through aid of the Reconstruction Finance Corporation.

All in all, it may be said that business sentiment, and to some extent actual business, is better—not a great deal perhaps—but still it is better.

My Customers Don't Understand Taxes

RUN A LITTLE cross roads store. My customers are my friends and neighbors. They know me and each other. When they meet in my store they talk. Right now they are talking mostly about government and taxes.

They do not understand why, when almost every office seeker from the head of the government down to our township officials have run for office on an economy program for the last ten years, our taxes have kept right on growing. They are talking about this and about other government activities of which they see the effects every day. They were talking the other day about John Jones and Joe Brown.

Both men were in the draft. Jones was drawn. Brown was not. Jones was single. Brown had a wife and two children. Jones stayed in a training camp until after the war.

Brown worked in a mill and got good wages but living was high. He was asked to subscribe to Liberty Bonds which he did. Then he was asked to subscribe to other things.

Finally it reached a point where he was not asked to subscribe but was told how much he was expected to give. When he objected, he was told that the mill would not need his services if he did not take what his employers thought he could afford. So he subscribed.

After peace was declared Jones came home. His teeth were not good, so the Government paid his expenses for \$180 worth of dental work.

Then Jones came back to look for work in the mill. He got it. Soon the demand for lumber slackened. Brown was told that, since fewer men were needed, he would have to go. Jones was kept on because he was a former soldier.

Brown's wife was about to have a baby. To pay the hospital expenses he had to sell his Liberty Bonds at considerably less than he paid for them.

A short time after this Jones was taken down with appendicitis. The Government paid expenses at the hospital where he went for an operation and also gave him a small amount of money while he was laid up.

Easy work and good pay

ANOTHER thing: Steve Black is a rural mail carrier. When he was appointed he was paid \$70 a month and had to keep two horses. His route was 24 miles and it took him a good part of the day to cover it.

Today, with an automobile and good roads, he makes the trip in about two hours. His wages are about three times what they were when he started and the Government pays him \$300 to keep up his automobile.

He was in the war. When he came home his job was waiting for him and, when he is ill, the Government pays his doctor and hospital bills. In a few years he will be retired and get a pension as long as he lives.

Now, to raise revenue Congress has passed a bill that increases letter postage to three cents because the Post Office Department is running behind. Black's neighbors, who will have to pay this 50 per cent increase, are making 30 to 60 per cent less money than they were a couple of years ago. Those who are working for themselves are barely making a living. Steve Black's living costs are reduced about 40 per cent.

People here don't understand this. Jim Smith was drafted but got no

further than a training camp. When he returned home he claimed he was hurt while in training so the Government gave him a pension. The American Legion got him a good job.

Smith's wife teaches school. Other married teachers have been discharged, but an exception was made for Mrs. Smith because she is the wife of a former soldier.

This doesn't sound good to a lot of the boys who were in the war, either. One of them is Sid Blake.

He was in the Ninety-First Division and saw a lot of fighting. He won a medal for bravery but won't wear it. He is a bachelor and supports his mother.

One of his neighbors is an old man who has raised a large family. He has worked hard all his life to make a living.

Sid Blake could probably get a pension but he says he is ashamed to ask for one because he feels that his neighbor is more entitled to one than he is.

When Blake was discharged his teeth were in bad shape. They had been condemned when he was in France. They were so bad that he could not wait to go through any red tape. He paid \$125 to have them fixed. When he tried to get the Government to pay his dental bill he was told that he had no authorization for the work and that he would have to stand the expense himself.

This is the kind of thing my customers are talking about. They see the Government spending money and they don't think it is spending it wisely. There would be less grumbling about taxes if some of these things were stopped. There would also be less need for taxes.

(A letter from a Nation's Business reader.)

PLUS MILEAGE PROVED.

U. S. TIRES

GO 7% TO 15%
FURTHER . . . YET
COST NO MORE!

"We have just completed a nationwide survey to determine the tread wear of the four leading makes of tires. We supervised the entire investigation and attest to the accuracy of the findings. With the tires showing the lowest mileage valued at 100, the tread wear values for the four makes of tires examined are:

Tire A	100
Tire B	100
Tire C	108
U. S. ROYAL	115"

PITTSBURGH TESTING LABORATORY

W. H. R. R. R. President

U. S. Tires, built with Tempered Rubber, do not cost a cent more—yet they do, by actual count, give 7 to 15% more mileage. The sensible, the reasonable, the thrifty thing to do, then, is to put your tire money

where you *know* it brings the biggest returns. Read the report of the Pittsburgh Testing Laboratory, shown opposite—a study by an impartial authority of the highest repute. The figures shown there speak for themselves. They tell you that there is one tire that gives you *more* than your money's worth—the U. S. Tire.

United States Rubber Company
WORLD'S LARGEST  PRODUCER OF RUBBER

U. S. TIRES

BUILT WITH TEMPERED RUBBER

When buying U. S. TIRES please mention Nation's Business

What's the Future of Advertising?

(Continued from page 25)

point for figuring than a rate to be scrupulously observed.

As soon as advertising got into its stride, agents realized that ten per cent was too little, and with cooperation of publishers it was pushed up to 15 and pegged there by publishers' contracts joined to the efforts of the agents' association in building up a code of ethics. It was generally maintained, I believe, while business was good and things were coming along nicely. The demand for agency service was so strong that the better houses had no difficulty in getting their price. It was attacked by the Federal Trade Commission as a conspiracy in restraint of a few advertisers who wanted to place their business direct, and it won a decisive legal victory. But the pinch of economic depression has been too much for it. Between agents in dire need of more business and shrewd advertisers taking advantage of those needs, commissions on the larger accounts have sagged along with stock quotations and commodity prices.

Commission looks unfair

THE real difficulty of the commission basis is this—if \$15,000 is fair pay for handling a \$100,000 account, isn't \$150,000 a little high for a million? Or if the latter is just and adequate, then the smaller advertiser is getting more than he pays for, which was actually the state of affairs for some years. The large accounts have paid the freight for the small ones, but the small ones intelligently promoted sometimes became large ones. When all is considered, the advertising agent has never been overpaid. What the agencies as a whole have done for business as a whole in the last quarter century has been more than worth all they have received for it. In other fields of gainful effort this fact would be admitted and appreciated.

But that is past. For awhile at least those advertisers with courage to spend money hold the balance of power. A new system of paying for agency service is almost certain to be evolved along with the other changes in agency methods. The question should be taken up promptly and dealt with by the agents themselves as the present anomalous situation will lead us back to the disorganized conditions which existed 30 years ago with the added factor

that the advertiser today knows far more about advertising than he did in 1900.

First, there is the sliding scale. That is what unofficially we have now. Perhaps it would be better to accept the condition and establish terms whereby the commission automatically goes down as the appropriation goes up. That is what architects do. They have different percentages for different classes of business. The percentage for a detached house is more than for a skyscraper. When the 15 per cent agency commission was established, \$100,000 was an average appropriation; \$500,000 the limit. No one dreamed that appropriations would one day be ten times that, just as no one now believes they will ever again be so large.

Might adopt sliding scale

THE Agents Association might agree on, say, 25 per cent for an account up to \$50,000; 20 per cent up to \$100,000; 15 per cent to \$500,000; ten per cent up to a million, and five per cent over a million. The figures are unimportant, though they are roughly what prevails. More work and greater expense are involved in handling a large account than a small one, even if it does not increase in proportion, though it sometimes does. Additional appropriation for an en-

tirely new medium, for instance radio, could easily earn all the commission, whatever the client's expenditures in other fields, though an increase, say, in a newspaper list without calling for new copy naturally would not increase the cost of handling proportionately. As for the higher rates for smaller accounts, that is what prevails today in the better agencies, but it is figured as commission plus a fee until the account grows to where the commission alone is sufficient.

Second, the fee basis. Many services now rendered are charged for in addition to commissions, but inadequately, because these services are still regarded as feeders to obtain and hold large accounts. A fee basis might be either a fixed monthly payment covering all activities, or fees charged for various services large and small, something the way a lawyer's bill is made out. It might be argued that agents will never get as much from the fee basis as from the commission basis. That is true, but they will never get as much from the commission basis as they did once. And the fees can be and should be in proportion to the value of the service rendered, instead of a mere cost charge as in the past.

Third, payment on results. The most logical but the most revolutionary suggestion is to pay the agent a percentage

Where Business Will Meet in September

DATE	ORGANIZATION	PLACE
1-3	Intermountain Economic Conference.....	Colorado Springs, Colo.
1-3	U. S. Building and Loan League.....	French Lick Springs, Ind.
2-3	American Soy Bean Association.....	Washington
5-10	National Association of Power Engineers.....	Milwaukee
7-8	Southwestern Association of Nurserymen.....	Dallas
11-14	The National Exchange Club.....	Syracuse, N. Y.
12-14	Northern Nut Growers Association.....	Washington
12-15	American National Retail Jewelers Association.....	Boston
12-16	National Tax Association.....	Columbus, Ohio
12-17	American Hospital Association.....	Detroit
14-16	National Petroleum Association.....	Atlantic City
15	Affiliated Better Business Bureau.....	Boston
15-17	American Trade Association Executives.....	Atlantic City
18-22	American Civic Association.....	Washington
19	National Wholesale Druggists Association.....	White Sulphur Springs
19-21	Grain and Feed Dealers National Association.....	French Lick Springs, Ind.
19-21	National Municipal League.....	Washington
19-23	National Association of Retail Druggists.....	Boston
20-23	National Association of Insurance Agents.....	Philadelphia
21-23	American Fisheries Society.....	Baltimore
22-23	Automotive Electric Association.....	Chicago
23-27	American Institute of Quality Surveyors.....	Chicago
26	American Society of Certified Public Accountants.....	Indianapolis
26-28	American Association of Engineers.....	Washington
26-30	International Beauty and Barber Supply Dealers Association.....	Washington
27-29	International Association of Casualty and Surety Underwriters.....	White Sulphur Springs
27-29	Federal Wholesale Druggists Association.....	Washington
28	National Lumber Exporters Association.....	Memphis, Tenn.
28	Oak Flooring Manufacturers Association of U. S.....	Memphis, Tenn.
29	Shipowners Association of the Pacific Coast.....	San Francisco
29-30	National Association of Motor Bus Operators.....	Chicago
29-30	National Hardwood Lumber Association.....	Memphis, Tenn.
29-10/1	Morris Plan Bankers Association.....	Washington

Secretaries of national trade associations are urged to notify Nation's Business of their coming meetings. Notice of conventions should reach Nation's Business at least 30 days before date of publication of the issue in which they are to appear.



FIRED

for the inefficiency
of her boss

IF Grace had been lazy... or always late... or indifferent... this story wouldn't be necessary to tell.

But she wasn't. Grace worked hard. She was intelligent. She took dictation fast and accurately.

But like every other girl who works quickly to turn out letters on time—occasionally she hit the wrong key, or misspelled a word.

Unfortunately, the kind of paper Grace had to work with just wouldn't stand erasures. So always it was a question—"Will this letter 'get by,' or must I type it all over again?"

And so through no fault of her own—her work was either late or lacking in neatness.

The business world is full of hard-

working stenographers struggling against similar odds. Simply because some one "up front" has never paid much attention to "such little things as erasability in the paper we use."

But since the introduction of New Hammermill Bond the condition is rapidly changing. Because not only does New Hammermill Bond erase neatly, it's *whiter* than other papers, it's *smoother*, easier and faster to write on, it has that snap, crackle and "feel" that command respect. And yet Hammermill Bond's new "premium quality" costs no more than ordinary paper.

So why shouldn't business... looking for every opportunity to combine economy with efficiency—swing all its letterhead and business form printing over to Ham-



ORDINARY BOND PAPER
Mistake erased, leaving paper with ugly, telltale blotchy appearance.



NEW HAMMERMILL BOND
Mistakes are easily erased without harming paper. No roughed-up or blotchy appearance.

mermill Bond... the new standard in the bond paper field!

NEW! Idea Kit... personalized for your business

Something new for the busy executive. An Idea Kit made up of commercial printing suggestions to fit your particular business... and save you time, trouble and money. Cover imprinted with your name to identify the Kit as your own. Filled with printed specimens of New Hammermill Bond, in white and 13 colors.

Fill out coupon, then attach to your business letterhead (mention your line of business if not printed on the letterhead) so we may select suitable material. (Sent free anywhere in the United States. Outside of U. S. A., 50¢.)

new
**HAMMERMILL
BOND**

LOOK FOR THE WATERMARK
It is our word of honor to the public



Hammermill Paper Company, Erie, Penn.

N 1

Please make up an Idea Kit for me.

Name _____

Position _____

(Fill in both lines and attach coupon to your business letterhead)

When writing to HAMMERMILL PAPER COMPANY please mention Nation's Business



**CLEAN COLLARS
AND CUFFS**

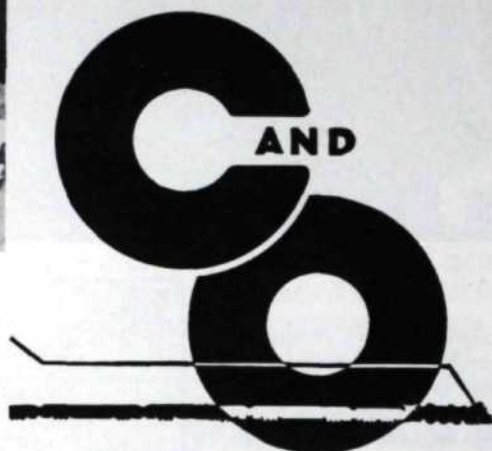
**CLEAN FACE
AND HANDS**

**ON
THIS FINER
NEW TRAIN
TO
WASHINGTON**

**THE
GEORGE
WASHINGTON**

The Most Wonderful Train in the World

**COMPLETELY AIR-CONDITIONED
EVERY CAR—ALL THE TIME**



If you once experience the comfort of being able to *stay* clean on a railroad ride, you will appreciate the great forward step taken by the Chesapeake and Ohio.

Passengers on The George Washington enjoy that comfort every mile of their journey. The reason is the air-conditioning system built into every car. Not only does air-conditioning provide spring-like freshness

in hot weather and healthful warmth in winter—it also thoroughly cleans the air in the cars and removes all dust, dirt, and cinders.

Enjoy the added pleasure of *staying* clean on your trip to Washington or some other point east. Travel on The George Washington—the completely air-conditioned new train of the Chesapeake and Ohio.

No extra fare.

EASTWARD (Read Down)		WESTWARD (Read Up)	
9:04 A.M.	Lv. St. Louis (Big Four Ry)	(CST) Ar. 4:45 P.M.	
10:05 "	" Chicago	Ar. 3:00 "	
2:10 P.M.	" Indianapolis	Ar. 10:45 A.M.	
1:00 "	" Louisville (C & O Ry)	Ar. 10:59 "	
5:45 "	" Cincinnati	(EST) Ar. 8:45 "	
8:30 A.M.	Ar. Washington	Lv. 6:01 P.M.	

CHESAPEAKE and OHIO

When making reservations on THE GEORGE WASHINGTON please mention Nation's Business

on profits resulting from his work. This is done successfully in other lines but never to my knowledge in advertising work. It would require a mutual understanding between client and agent of almost ideal proportions and the fullest confidence between them. If such an arrangement had prevailed during the ten years after the war most agents would have done better than they have on the commission basis.

I have often felt a vain regret that I did not with each new account buy a moderate amount of the client's stock, say 100 shares, at the beginning of the relation. Had I done so I would now be rich, so great was the increase for most advertisers in the 20 years before 1930.

A client often asks his agent, "If it were your money, would you spend it this way?" This new basis would give more point to that question. The agent would have to spend the money as if it were his own. It would mean a definite understanding as to policy and plan, but it would give force to the agent's recommendations that his profit would come only if he made good. As it is now, urging an increased appropriation always carries a suspicion of self-interest. If the agent were paid on the amount of profits instead of on the amount of appropriation, he could make such recommendations with a clear conscience.

Helping Employees

IN A MAIL-ORDER house where various employees prepare hundreds of form letters each day, I noticed that the letters were placed on a continuously moving belt, one at a time, as rapidly as they were ready for mailing.

"Is that to gain more speed in reaching the post office?" I asked.

"Partly that," replied the young man who was showing me about, "but, to tell you the truth, the main reason is to prevent employees from noticing what a lot of letters they can grind out in a day. If they saw big piles of letters accumulating, they might begin to think they are working too hard and feel sorry for themselves."

This same concern makes special effort to convince every employee of the importance of whatever task he is doing, no matter how trivial.

The idea is to combat the tendency of employees to become bored with minor tasks.

"It is twice as easy," my guide assured me, "to stick at a monotonous job if you are assured that you are an important cog."—F. K.

Yours Received and Contents Noted

Some Readers' Views on Current Topics

The real builders

TO THE EDITOR:

The fallacy that the Government can lift the collective individual out of the depression via the boot-strap lifting method would seem to be shown by the enclosed photo.

This photo shows a crowd of unemployed watching the expenditure of their money, through government channels, in the erection of a new post office at Paterson, N. J. The spectators far outnumber the workers. They apparently do not realize that they are indirectly paying for their own amusement, but such is the fact.

Paterson possesses a rather ornate post office, in good condition and of ample size, built about 30 years ago. To what purpose will it be devoted? It is unlikely that any private buyer will be found. Therefore, it must either be staffed and maintained or demolished. Either course means more governmental expenditure.

J. CARLETON ESTY
Clifton, New Jersey

The clerk's side

TO THE EDITOR:

Herbert Corey is more than half right when he tells of the blunders of sellers, but like every other question there are other sides.

If sales employees are dumb, if relations with the public are strained, why not consider the cause? The elevator operator (female) who invited a complaint is hardly to blame. First her salary could not have been large. Second there are many other uncomfortable ways of earning subsistence which pay equally well. Third, since you do not meet gray haired grandmothers running elevators, the job is not a secure retreat for old age.

It would take a rather literal interpretation of the Golden Rule to condemn the saleswoman who refused to get excited over the matching of a luxurious fabric for window decoration. People making \$15 or \$20 a week often lack a window of their own in which to hang anything except the evening wash.

BOTH SIDES OF THE COUNTER

The little capitalist

TO THE EDITOR:

A writer in a recent magazine asked the question: "What interest has the five dollar a day laboring man in capitalism?" For that writer to express such an idea illustrates the general ignorance of the real significance of capitalism.

It seems to me that the smaller a person's earnings are, the more vitally he is or should be interested in the maintenance of our capitalistic system. If he has only



A crowd of unemployed watching the expenditure of their money in the erection of a new post office building

two shirts or two pairs of shoes in place of one, he is interested in a system which provides sufficient protection to prevent his neighbor from grabbing these extra possessions. He can never develop any degree of thrift unless his savings, however small, are protected.

The schemes of radicals are always aimed at the rich but the rich are generally able to protect themselves and it is the most modest capitalist who is least able to prevent confiscation.

Lincoln once said that a main object of our Government should be to protect the citizen in the undisturbed enjoyment of the possessions he has been able to accumulate.

F. W. JESSOP

The Ohio Electric Mfg. Co.,
Cleveland, Ohio

We lose a subscriber

TO THE EDITOR:

I assure you I would like to continue my subscription with you, but as our Dear Uncle Sam has put me out of business I do not have even the \$3.00 to spare.

I am glad to do anything I can, but am about down, out and helpless. I sincerely hope that your great organization will exert all the power in an effort to drive out this political abuse and infringement on the commerce of our country so that our people may once more be safe in the pursuit of their vocations.

B. F. VORHES

B. F. Vorhes & Son
Zearing, Iowa

A western view

TO THE EDITOR:

Looking at conditions from this distance, the Interstate Commerce Commission is

certainly going to put the Railroads out of business or put them in the hands of the Government, which will be the greatest calamity that has ever struck this country. I am only giving you our western sentiment as expressed by numbers that have discussed the subject.

C. S. CAIRD, Pres.
CaIRD Engineering Works,
Helena, Montana

Ammunition for voters

TO THE EDITOR:

In the June issue of NATION'S BUSINESS there are two articles which should be put into the hands of every intelligent citizen.

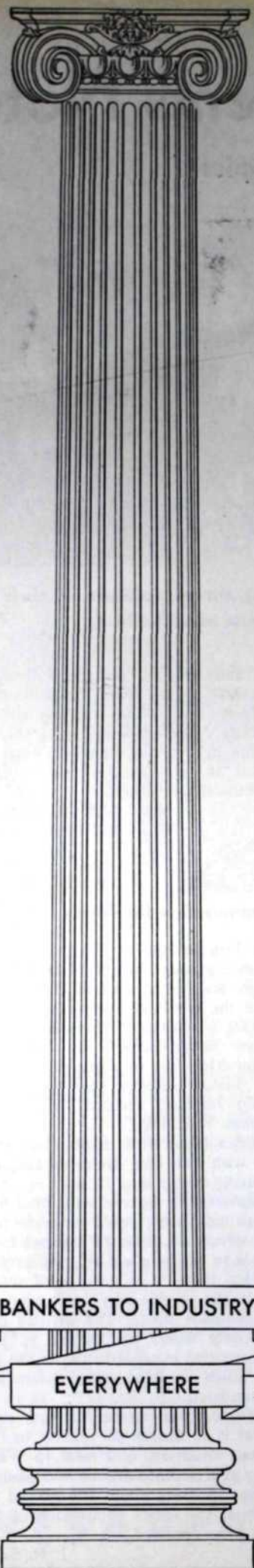
One is entitled "Where Uncle Sam Can Save \$600,000,000" by Representative John McDuffie of Alabama. The other is by Louis Ludlow, Member of Congress from Indiana, entitled "We Can't Save Unless You Help."

Cumulative information has inoculated us with the idea that we taxpayers are pouring money into the maw of a politically conscienceless government; that enormous sums are being spent unnecessarily, and for which no direct or indirect benefit accrues to the long-suffering citizens.

But there is a paucity of information as to the specific why's and where's of the tremendous waste. The articles point out precisely where the trouble is. Just such information is needed to show the processes by which our hard-earned dollars are being squandered.

There seems to be but one way open. That is to arouse the nation to the monstrous situation, and send to Washington only representatives who will pledge themselves to bring about the needed changes, even if the entire complexion of Congress has to be changed.

J. R. SARGENT
Topeka, Kansas



BANKERS AND CREDIT

There has been loose talk of banks "hoarding" money and refusing to extend credit. This is unjust. A banker's first duty is to those whose money he uses. Least of all in a time of general uncertainty is it reasonable to expect that bank funds, payable on depositors' demand, shall be available except for loans of short term and on quickly realizable security.

People forget that unless a bank is profitable it is not safe for the community. Priority is being rightly given to the types of loans which a bank has proved itself best equipped to make at a profit. This is ground for praise, not blame.

The C. I. T. Institution offers a Financing Service which supplements ordinary bank credit. It disposes of its own liquid resources exceeding eighty millions of dollars, and of much larger credit-granting capacity. In its special field of banking—financing credit sales of a long list of standard products—C. I. T. has kept continuously available a surplus of credit facilities in respect to the needs of sound borrowers.

Supplying money and service to hasten the movement of essential goods into consumption is a function for which C. I. T. has unequalled facilities; and its first duty is to keep itself ready to meet stimulated demand for credit from its regular manufacturer and merchant clients. While maintaining full service in the fields long identified with our operating Companies, C. I. T. welcomes such new opportunities as changed conditions may present for rendering constructive credit service to American business.



COMMERCIAL INVESTMENT TRUST CORPORATION

Executive Offices: One Park Ave., New York

Subsidiary Operating Companies with Head Offices in New York
Chicago ~ San Francisco ~ Toronto, Canada ~ Also Completely
Functioning Local Finance Offices in the Principal Cities

CAPITAL AND SURPLUS OVER \$80,000,000

Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, AUGUST 7
ON ONE day recently I talked with a number of men. They included:
Two economists and statisticians, the heads of departments of large business organizations.

An executive of a statistical reporting company.

A vice president of one of the country's largest banks.

The head of an important retail trade association.

The secretary and the advertising manager of a big manufacturing company.

Not a completely representative list, and one having some duplication, but a fairly good cross section of American business in one city.

And, it dawned on me rather suddenly as I thought over our talks, that for the first time in months, each of them had talked optimistically. It wasn't a wave of optimism, it was more nearly a ripple, but at least none of them was in the black and hopeless state of mind which was so common a few weeks ago.

WHAT has brought about this change? Several things. One is the improvement in the bond market, another the result of the Lausanne Conference supplemented as it was by the statements from Senator Borah and from Silas Strawn of the National and International Chambers; a third was the slightly better condition of certain commodity prices; a fourth was the fact that Congress had passed tax, economy and relief measures, and has adjourned.

GRATIFICATION over the improvement in the bond market was obvious. The bond market is always one of the first, if not the first, market to better at the end of a depression. The steadying of prices while not enough to make the banks' condition much more liquid, did increase their confidence.

ECONOMISTS may lay stress on the strength of the bond market as an indi-

cation that improvement may be near, but the general public is apt to watch the stock market and to gather hope when it rises. Late July and early August saw what was at first called a creeping recovery gain a faster tempo. However, it must not be forgotten that last Fall and the early part of this year saw marked gains in stocks from which they slipped to new lows.

Business did feel better in early August. There can be no doubt of that, but it would have more ground for such feeling if it saw indications that such indices as commodity prices, car loadings, automobile output, steel production, electric power output, were moving steadily up. Perhaps by September 1 this will have taken place.

BANKING opinion was not a unit about the Lausanne Conference. I asked a banker of wide European experience who has been close to the whole question of reparations and allied debts these questions:

"Was the Lausanne Conference a step forward and if so was it a long step forward?"

He replied:

"To the first question I should say 'yes'; to the second I should hesitate to make a categorical answer.

"In my own opinion anything that brings together the European countries in peaceful, friendly conference is a good thing; anything that brings France and Germany to an understanding that they must help each other out of depression is a good thing.

"But it is our own position I fear. We have made the settlement of the debts a political question and I doubt if we shall reach any sort of conciliatory agreement by December 15. That might force both Great Britain and France—and they will take an agreed-on action—into the humiliating position of repudiation.

"I hope, however, that we shall make at least a friendly gesture which will let the debtor nations 'save their face' as the Chinese might say.

"The example of repudiation by great European nations might be a bad thing for smaller countries to contemplate

and it might lead to widespread repudiation. I don't prophesy that any such thing will happen. I only say it is a fear."

(This talk was before the Strawn letter and the Borah radio speech.)

THE change for the better in commodity prices is slight. Certainly it is not yet marked enough to remove fears of further declines in raw material prices.

Prices in these years have reached in some cases unprecedentedly low levels.

Speaking of this feature of the depression an economist said:

"There is a widely held feeling that there is somewhere a sort of automatic low level below which the price of a commodity cannot go. People reason rather vaguely that somewhere there's a point at which buying must start and prices move up in response.

"As a matter of fact, there is so far as we know no low limit except zero. Roughly the talent of Roman and Greek days equalled in weight perhaps \$1,000 in American gold, but there is reason to believe that it would buy 20 times as much cereal food as \$1,000 will buy even at today's low prices. How do we know that such prices cannot come again?"

THERE was a widely held belief that business in general and the stock brokerage business was simply waiting for Congress to go home. When that happened there were to be loud cries of "halleluiahs" and business would at once pick up. As a matter of fact, the stock market didn't even roll over in bed when Congress adjourned.

The bond market had been improving before the Congress adjourned and the stock market waited a week or two after adjournment before it decided to start a little activity.

There was, of course, the usual assertion that the market had "discounted" the adjournment but, as the market had been almost inanimate for some time, it was hard to see just what the discounting really amounted to.

Perhaps the stock market isn't quite as afraid of the Government as it pre-



LONG and extensive experience in serving important organizations in every major line of American industry places this Bank in an advantageous position to serve its customers in every phase of commercial banking.

Guaranty Trust Company of New York

140 BROADWAY

FIFTH AVENUE at 44TH STREET

MADISON AVENUE at 60TH STREET

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

When writing to GUARANTY TRUST COMPANY please mention Nation's Business

tends to be. Certainly Congress at its last session did many things to bring about results which business wanted.

There were shudders over the "inflationist" clause, which was tacked onto the home bank bill but many large banks are taking advantage of it.

THE amendment may be "inflationist," but it also offered an opportunity of inflating profits.

Take a hypothetical case of a bank which has \$100,000 in 3½ bonds which it deposits and for which it receives \$95,000 in currency. The five per cent is deducted as a redemption fund. It receives \$3,750 interest on its bonds and has the \$95,000 to use in the ordinary course of its business.

The income to the bank from this sum would vary with the neighborhood and the type of business it did but suppose it netted 3 per cent. That would mean another \$2,850 to be added to the \$3,750 interest. Against that must be charged between \$500 and \$600 taxes and expenses of issuing the currency and, of course, the profit which would have been made on the \$100,000 in any event.

It is small wonder that banks which in the past have been indifferent to issuing currency are taking advantage of the new law.

But there are definite limits on the amount that can be issued and at most the nation's currency can only be increased by about a billion.

EVERY sort of criticism has been aimed at bankers for the unwillingness to make loans.

Any inquiring reporter of business opinion has heard dozens of stories of the cowardice of banks.

It was perhaps this feeling that induced the last session of Congress to amend the Federal Reserve Act so that the Federal Reserve Banks might make direct loans to individuals, partnerships and corporations "in unusual and exigent circumstances."

The Board carrying out, but cautiously, the instructions of Congress decided that before any Reserve Bank made a loan it must satisfy itself that:

1. The financial condition and credit standing of the applicant justify the granting of such credit.
2. The paper offered is acceptable from a credit standpoint and eligible from a legal standpoint.
3. The security offered is adequate to protect the Federal Reserve Bank against loss.
4. There is reasonable need for such credit accommodation.

5. The applicant is unable to obtain adequate credit accommodations from other banking institutions.

HERE'S the way one man reached a conclusion that we had at least reached the low of the depression:

"There's a geography of hard times that's worth watching. If you'll go back in your mind to the late Fall of 1929 and the winter of '29-'30 you will recall that the worst of the fear, the panic mind, was in New York. Men from the other side of the Hudson to the Pacific Coast said, 'Oh, it's a Wall Street panic. Everybody in New York went gambling mad and of course after they'd blown the balloon up far enough it burst. But we have nothing to worry about. Just because a stock market boom blew up is no reason why the middle West and the Pacific Coast should worry.'

"Then the depression area, the low center moved westward and soon the whole country was involved.

"Now the reverse of '29 is true. New York has begun to perk up (he was talking in late July) and the rest of the country is far less cheerful. Perhaps the better feeling will move west and soon we shall all feel better.

"New York is still the financial center of the country and it may well be that depressions are born in New York and that recoveries start there.

"That's what happened very markedly in 1907. Maybe you ought to consider the Geography of Depressions."

THERE isn't much love lost between New York and Chicago at the best of times and right now when the only thing you can call a man worse than "Banker" is "Wall Street Banker," there is still less amity. Which may help to explain why a New Yorker told me this:

"If you'll turn back in memory to the period between the ratification of the Eighteenth Amendment, and the date on which it went into effect, you'll recall a lot of talk about what would become of the choice corner sites held by saloons. Doubt was expressed whether other business could absorb these sites.

"In Chicago I gather they solved the situation all right. They put banks in."

A THIRD person who heard the remark chimed in: "There's a grain of truth in that perhaps. In the old days one function of the corner saloon was to cash pay checks. It may be that neighborhood banks developed partly to take over this function."

ACHIEVEMENT IN PUBLIC SERVICE

IMPROVED service at reasonable rates to an increasing number of customers—this has been the aim and accomplishment of the Associated System. The System's success in providing satisfactory utility service for 6,200,000 persons in 3,000 communities is indicated by the following facts:

For information about facilities, services, rates, write

Associated Gas & Electric System
61 BROADWAY NEW YORK



352,109 customers not previously served by the same properties have been added since 1925.

Service to rural areas now supplied in scores of communities where none or very inadequate service existed before.

\$79,000,000 for new construction since 1928. Provision for replacement of worn-out equipment \$9,754,000 in 1931.

17.8% increase in use of electricity per residential customer since 1929.

12% average decline in rates for residential electricity during the last four years.

\$7,366,531 for taxes paid or accrued by Associated System in 1931.

BEAT HARD TIMES WITH HOME STUDY

Depression demands more knowledge and ability. Prepare now—make your job safer—and be ready for the return of prosperity. Free 64-Page Booklets Tell How. Write for book you want, or mail coupon with your name and address in margin today.

- | | |
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| <input type="checkbox"/> Mod. Salesmanship | <input type="checkbox"/> Business Corres. |
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LA SALLE EXTENSION UNIVERSITY
Dep't. 9374-R Chicago

BRISTOL BEST CENTRE
FOR ENGLISH TRADE
Already 2000 Industries are established at Bristol, Eng., because Manufacturing costs are low and Distribution is economical and speedy. For details of factories and sites, rates, etc., write Secy., DEVELOPMENT BOARD, BRISTOL, ENG.

A MAN WHO KNOWS LATIN AMERICA

If your business can profit by the services of a man with a practical business knowledge of Latin America—its business houses, its governmental contacts, its banking institutions, its people—based upon years of business residence there—it will pay you to communicate with Box No. 37, "Nation's Business", Washington, D. C.

GET AHEAD by planning ahead

Keeping within income is necessary to getting ahead, and this cannot be accomplished without the use of some kind of a financial plan.

Only a few can do this planning by mental arithmetic. Most of us need to work it out in black and white.

The John Hancock Home Budget is a simple record, easily adapted to your personal or household finances. Let us send you a copy.

John Hancock
MUTUAL
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU
197 Clarendon Street, Boston, Mass.

Please send me the John Hancock Home Budget Sheet.

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N.B 9-32

Galveston's NATURAL HARBOR

Gives Shipping Dispatch



A 1,200-foot channel with a 35-foot ruling depth.

In the year 1818, buccaneer Jean La Fitte chose Galveston Island as his base. From there his ships could reach the sea in shortest time. An able seaman with business sense, he recognized in swift movement the basis of profit.

Today, too, Galveston's on-the-sea harbor means profit to shippers. Ships reach the open sea in **forty minutes!** Enlarging this natural advantage is an ideal port layout. There are 4 grain elevators, 32 piers, 30 warehouses on $2\frac{1}{4}$ miles of waterfront—all tied together by 51 miles of switch track. The wise placement of rails and structures simplifies transfer and speeds cargoes from car to ship.

Back in 1854, the Galveston Wharf Company was established to co-ordinate all activities. Now partly owned by the City of Galveston, it supervises handling, storage, financing, shipping. One management assures centralized control without red tape. This means efficiency and economy.

EXECUTIVES

The Shippers Digest of Galveston, a semi-monthly publication, quotes sailing dates to foreign and domestic ports. Contains shipping news and other useful facts. **FREE!** Write to the Galveston Wharf Co., or the Chamber of Commerce, Galveston, Texas, Traffic problems invited.



Port of GALVESTON

America's Port of Quickest Dispatch

When writing please mention Nation's Business

C THIS is one of a series of editorials written by leading advertising men on the general subject of advertising

If the Price Is High, Play It Up

IT HAS been said: "A man who sells a poor thing for a fancy price sells some of his self respect with the package . . . but when a man sells a good thing, and maintains its quality despite price competition, he puts into the product a dependability far more important than the price he asks".

I do not believe that the policy of evading high price gets anywhere. Sooner or later it has to be met. From the standpoint of the salesman there would seem to be a distinct advantage in having the question disposed of at the outset so that it will not bob up as an objection in the closing stages of the sale.

America's chief need of the present is not only increased consumption *but increased quality*. If a product has to be high priced in order to maintain its quality it seems better to publish the fact frankly than to admit it grudgingly. Any manufacturer can say "best or highest quality" and many cheap products are being so advertised today . . . the assertion means nothing and no intelligent buyer accepts it at face value. Manufacturers marketing a quality product should stress in their advertising that "Cost has not been spared in producing them in order that needless costs may be spared in using them".

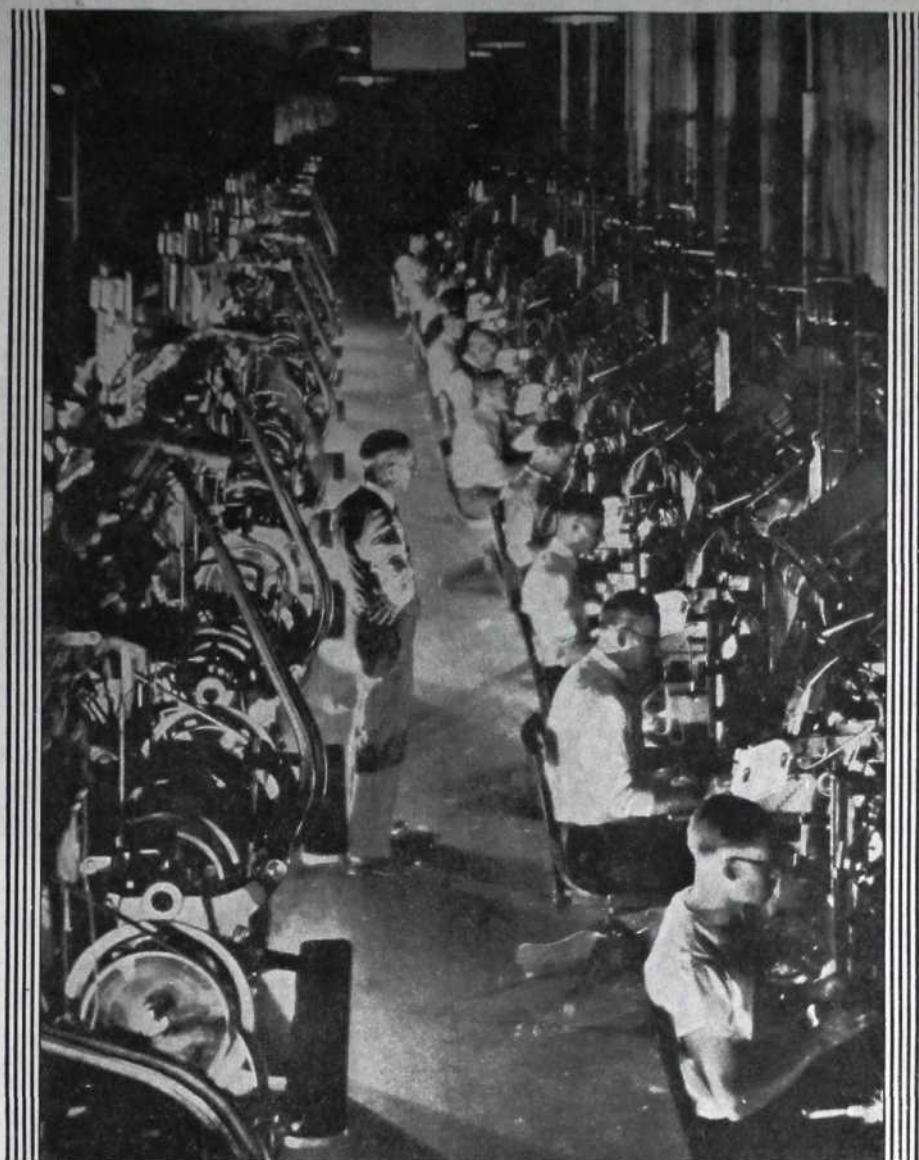
From an advertising standpoint there are advantages in dealing with the subject of high price and capitalizing an element which might otherwise be a disadvantage. Advertising that "trades up" is smart because in so many things price has become our measure of quality.

R. C. BYLER, Advertising Manager
S K F Industries, Inc., N. Y. C.

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IF YOU'RE NOT IN THE TRIBUNE, YOU'RE NOT IN CHICAGO



Mobilizing hundreds of thousands of words a day! Some of the 67 linotypes required to set the type for the news and advertising appearing in a single day's Chicago Tribune.



Editorial independence for eighty-five years has created a confidence and a comradeship which make this newspaper the open door to maximum community contact for advertisers in Chicago and its surrounding market



THE CHICAGO TRIBUNE has never been muzzled, and never can be, in expression of opinions or in presentation of facts. When occasion warranted it, the Tribune has vigorously challenged public opinion on fundamental issues. It has fought for minorities and it has fought for majorities. Principle and not the size of concurring parties has always determined its place in a fight.

Its correspondent at Shanghai was denied

the use of war bulletins by the Japanese because his reports ignored official propaganda and were based on first hand facts. The Tribune defied this foreign gag rule in exactly the same way it refuses handout statements by politicians and propagandists at the capital of the United States. Tribune correspondents have been threatened with death by Italian political extremists . . . condemned to death by the Soviet government . . . exiled by Spain because they dared to report the *real* news in comprehensive, two-fisted style. This policy is their command and their privilege.

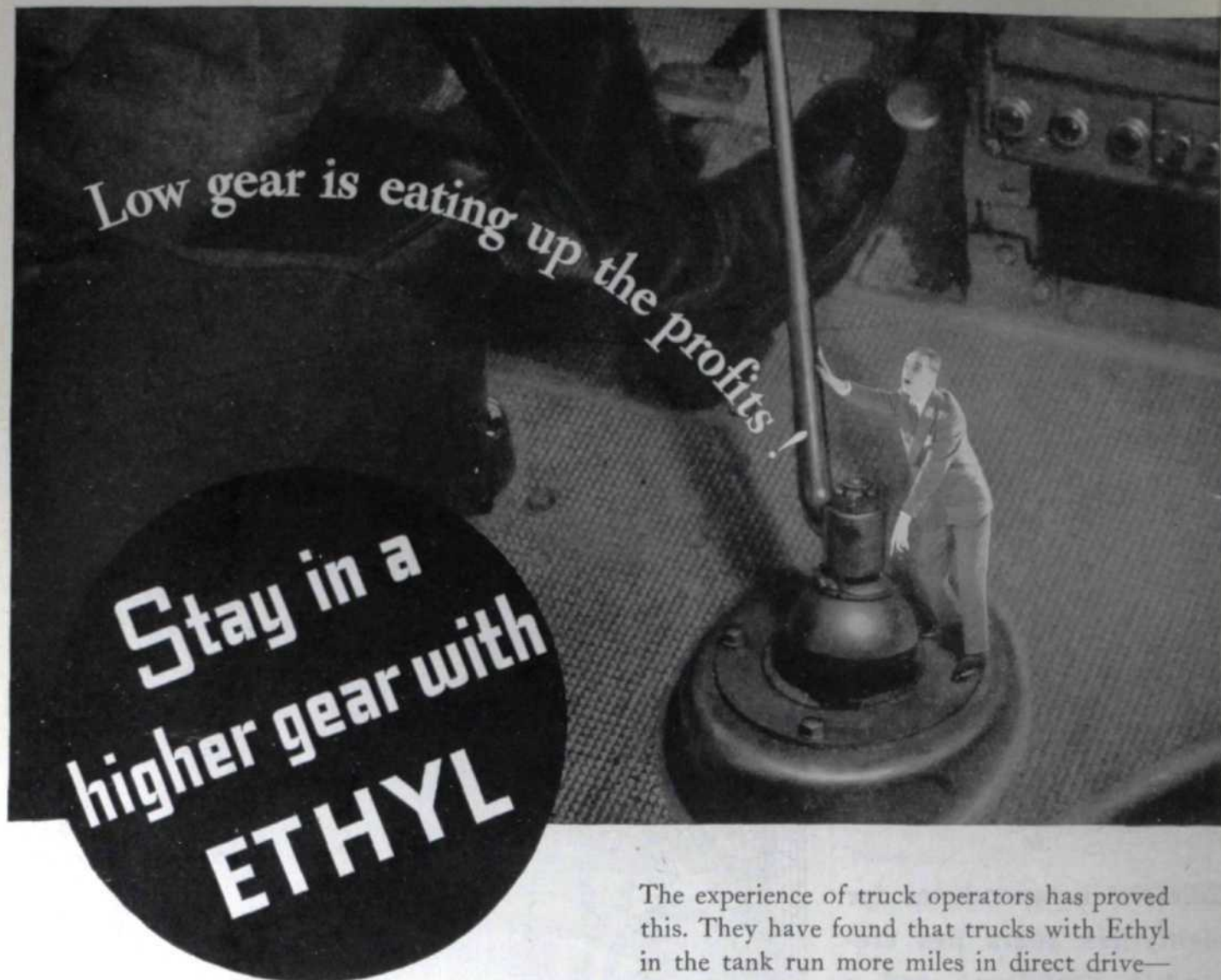
As a result of this independence the Tribune and Chicago speak the same language. Community and newspaper have

confidence and faith in each other. Experienced advertisers recognize this newspaper-community association as a vital asset to them in the approach to maximum sales in this territory. Their experience dictates the conclusion that the Tribune is the open door to business in Chicago and the rich Chicago market. It is first in Chicago and suburbs by over 167,000 more daily circulation and by over 156,000 more Sunday circulation than delivered by any other paper, and it is the only daily paper covering and completely paralleling the balance of the great Chicago market. Let us tell you how Kellogg, Kelvinator, Karagheusian and others have used the Tribune to their profit.

Chicago Tribune Offices: Chicago, Tribune Tower
Boston, 718 Chamber of Commerce Building

New York, 220 East 42nd Street
San Francisco, 820 Kohl Building

Atlanta, 1825 Rhodes-Haverty Building



YOU'D discharge a driver who didn't know when to shift gears. Why use a gasoline that forces him to shift at the wrong time?

At the critical moment when the engine should deliver the utmost power, ordinary gasoline starts to knock. It wastes part of its energy in shattering, harmful explosions. The driver shifts to a lower gear.

That unnecessary shifting is lessened with Ethyl Gasoline. The engine continues to deliver smooth power, even on hard pulls, because the energy in Ethyl Gasoline is controlled by Ethyl fluid. Ethyl fluid prevents knock—prevents power waste—and many times allows the driver to keep his truck in a higher gear.

The experience of truck operators has proved this. They have found that trucks with Ethyl in the tank run more miles in direct drive—fewer miles in gear. Long, fuel-wasting grinds up hills that should be climbed “in high” are avoided. Time saved! Ethyl gets trucks away faster. Time saved, again!

You'll find the *economy* of Ethyl Gasoline is true economy. It is not in cost per gallon, but in cost per ton mile, in less fuel used, in less oil, in less shop-work, and in faster transportation. *That's why Ethyl merits a trial in your fleet.* Ethyl Gasoline Corporation, New York City.



Ethyl fluid contains lead.

© E. G. C. 1932

Cut down engine revolutions per trip with

ETHYL GASOLINE

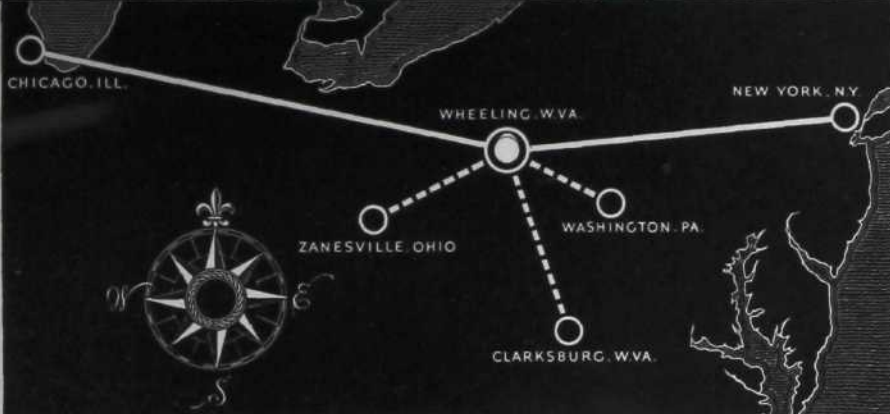
TWO WAYS TO REDUCE COSTS

Hazel-Atlas Glass Company effects many operating economies by

(1) *Long Distance* and (2) *Private Line Teletypewriter Service*



Key points are connected by Private Line Teletypewriter Service (shown by unbroken lines) and Private Line Telephone Service (broken lines).



The Vice President in Charge of Sales says: "These services speed up production by getting communications to their destination 24 hours faster."



SALES COSTS DOWN. Sales volume up. That's the story of certain companies in spite of general conditions. Bell System services are playing an important part in cutting expenses and building new business.

The Hazel-Atlas Glass Company is one of today's successful concerns. The Vice President says: "Sales costs have been noticeably reduced by reason of Teletypewriter Service. And a liberal use of Bell System services generally has been of material aid in holding up our volume of business."

The company's officials in Wheeling, W. Va., and in the district sales offices and plants from coast to coast keep in close touch with each other by *Long Distance*. The salesmen in the field also maintain frequent contact with customers by this same method—making appointments, quoting prices, discussing designs, arranging deliveries.

Private Line Teletypewriter Service—typing by wire—connects the headquarters and plants in Wheeling with sales offices in New York and Chicago. Messages, reports, and inquiries, typed in one office, are simultaneously received in identical form at the others.

Thus, the company saves many hours in all departments each day through use of the services. Operating and distribution costs are cut. The productive power of the entire organization is increased.

Bell System services are helping many companies to eliminate profit-eating operations. Best results are obtained from the *planned* use of telephone facilities. The Telephone Plan of Market Coverage can be adapted to the particular requirements of any company. Have a telephone representative prepare a money-saving adaptation of this plan for your company. You incur no obligation.

JUST CALL YOUR BELL



TELEPHONE BUSINESS OFFICE

PURE

... from start to finish!

NOWADAYS, when so many people are talking about purity... pure food, pure milk, pure water... it's worth a minute to tell you about the purity of Chesterfield cigarettes.

The tobacco is pure—the right kinds, Domestic and Turkish both, mild, sweet, ripe. The paper is pure—clean, white, the best cigarette

paper that money can buy. There is purity in every ingredient and cleanliness in every operation.

You can know, when you light a Chesterfield, that it is as pure as science can make a cigarette. And your taste will tell you it's milder, it tastes better.



Every ounce of this tobacco is aged and mellowed just right



Even the paper! Purest and whitest that can be bought



Care and cleanliness all through! The cleanest "bill of health" any cigarette could rate



Chesterfield